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ANNEXURE P- 12

Justice Dr. M. Rama Jois
Member of Parliament,
(Rajya Sabha)
Former Chief Justice of
Punjab and Haryana High Court
and
Former Governor of Jharkhand and
Bihar

Sri Shaila
No. 870-C, 5th Block,
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Date : 19.01.2011

Adaraneeya
Sri Man Mohan Singh

It is reported in Deccan Herald daily, Bangalore in its issue dated 14.01.2011 that "UIDAI ROLLS OUT 10 LAKH AADHAR NUMBERS" it is said that 10 Lakh residents of the country have been issued Aadhar Numbers since September 29 last year when the first number was issued. Now the goal is for issuing 600 Million Aadhaar numbers in the next four years, according to the press statement by UDAI Chairman Nandan Nilekani.

As the National Identification Authority of India Bill 2010 is pending before the Rajya Sabha, I was surprised as to how the project is being implemented. Therefore I wrote a letter on 28th December 2010 to Hon'ble Sri. V. Narayanaswamy, Minister of State in the Ministry of planning & Parliamentary affairs, to clarify me as to how

such action is being taken when the matter is pending before the Rajya Sabha and how much money has been spent so far. But I have not received any reply.

In fact I propose to move an amendment to the Bill in the Rajya Sabha under Rule 125 to refer the bill to join select Committee in view of the colossal expenditure involved in the Bill.

Hence, I am addressing this letter requesting you to inform me how steps are being when the Bill is pending before the Parliament

With Warm Regards

Your Sincerely

Sd/-

(M. RAMA JOIS)

Hon'ble Sri. Manmohan Singh
Prime Minister of India,
No. 7, Race Course Raod,
New Delhi.

Delhi Address : AB-98, Shahjahan Road, New Delhi – 110 003

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PRIME MINISTER

New Delhi
29.01.2011

Dear Justice Dr. Jois,

I have received your letter of 19 January, 2011 regarding reported issuance of Aadhar numbers.

With regards,

Yours sincerely,

Sd/-

(Manmohan Singh)

Justice Dr. Rama Jois, MP
"Sri Shalla"
No. 870-C, 5th Block
Rajajinagar
Bangalore-560010

//TRUE TYPED COPY//

ANNEXURE P- 13

Notice under Rule 180 (A) for mentioning a matter of Urgent public importance in the house (Special Mention)

Dated : 15.03.2011

From
M. Rama Jois

To

The Secretary General
Rajya Sabha, New Delhi

Sir/Madam

I request the Chairman to permit me to mention the following matter of urgent Public importance in the House on 16.03.2011.

Subject : National Identification Authority Bill Being Implemented

(TEXT OF THE MATTER TO BE MENTIONED)

The National identification Authority Bill, 2010 was introduced in Rajya Sabha during 221st Session and has been referred to the standing Committee. Sub-section 2 of section 3 of the Bill empowers the National Identification Authority to issue Aadhar numbers to the resident of the Country. This can be done only after the Bill is passed by both the houses of Parliament and the

assent is given by the President and becomes an Act of Parliament and brought into force Surprisingly the Finance Minister in his Budget speech at page 21 para 120 has stated that 10 Lakhs Aadhar numbers per day will be generated and issued. Further in the booklet implementation of Budget announcement, it is stated that Rs. 1900 crores is allotted for this purpose.

Unless the Bill is Considers by standing committee and thereafter debated in both the Houses of Parliament and passed and becomes the law the issue of Aadhar Number to the residents tantamount to the circumventing of the Parliament by the executive.

Therefore, through the Special Mention I bring it to the notice of the finance Minster and Govt. of India (Nodal Ministry/Department, Planning Commission) it is appropriate that the issue of Aadhar numbers should be stopped until the bill becomes the law.

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Annexure P-14

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Chapter- 2

Performance Audit

Food, civil supplies and Consumer Affairs Department

2.1 Comprehensive Computerisation Project of the Department of Food, Civil Supplies and Consumer Affairs.

Executive Summary

A comprehensive computerization project to digitize the data collected through a house-to-house survey and issue computerized ration cards to the eligible families in the State was approved by government (August 2005) for the Department of Food, Civil Supplies and Consumer Affairs. The project sought to eliminate ineligible ration cards, besides creating an effective distribution management system to ensure availability of rationed articles, reduce leakages and provide an efficient and real-time Management Information system.

The Department selected (March 2006) a partner under the Build. Operate and Transfer (BOT) model of Public-Private-Partnership (PPP) through a bidding process to implement the project over a period of five and a half years. However, Government's decision to adopt the PPP route had not been taken after considering all alternatives, Balanced sharing of risks between the

Government and private sector partner had not been ensured for enduring success of the PPP arrangement and the choice of PPP was not taken after due diligence. The selection of the private partner and the qualifying procedures were flawed, resulting in selection of the partner who did not have the capacity to deliver.

The oversight over implementation of computerization was so defective that the partner persistently bypassed the contracted procedures and carried on with the work in a totally uncontrolled environment. This resulted in an abnormal increase in the number of ration cards including those for the families below poverty line. The Department failed to enforce various provisions in the agreement resulting in several inadmissible payments to the partner, non-remittance / delayed remittance by the partner of the user charges collected from public etc. Although the partner was to complete the project set-up phase by October 2006, it remained incomplete even five years after the scheduled date of completion. After receiving a payment of Rs.54.23 crore, the partner closed the operations prematurely in November 2010 without transferring any of the assets except the database of ration cards. An evaluation of the database by a third party showed that it was incomplete in many respects,

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suffered from many deficiencies and was not capable of preventing duplication of ration cards.

The Department had taken upon itself the responsibility of rectifying the mistakes in the database created by the partner. As the rectification process was still in progress, the process of issue, modification and deletion of ration cards in the State had come to a standstill since November 2010. Thus, various lapses of the Department / partner defeated the very objective of providing improved services to the public and protecting their interests adequately. The PPP project ended up as an example of doubtful value for money in a crucial area of governance.

2.1.1. Introduction

During 2002-03, the Department of Food, Civil Supplies and Consumer Affairs (Department) digitized the data of 42 lakh Below Poverty Line (BPL) families and issued 40 lakh BPL ration cards. However, the digitization failed to address the needs of the Department as there was no mechanism for updating data. Further, while many ineligible families had been issued BPL ration cards, many eligible families had been left out. The need to eliminate ineligible ration cards and cover all the eligible families under the Public Distribution system (PDS)

prompted the Government to order (January 2005) a house-to-house survey which identified (March 2005) 1.27 crore families in the State including 65.79 lakhs belonging to the BPL category. In August 2005, the Government set out its vision of issuing computerized ration cards to the eligible families by approving a comprehensive computerization project. The project sought to (i) improve the targeting of benefits to the citizens by eliminating ineligible ration cards and ensuring ration cards to all the eligible families, (ii) create an effective distribution management system to ensure availability of rationed articles and reduce leakage, (iii) increase the efficiency of the Department by business process reengineering and reducing paper based processes, (iv) align with e-governance initiatives of other departments and leverage the infrastructure set up by these departments, and (v) provide efficient and real-time Management Information System to the Department etc. The Department selected (March 2006) a partner under the Build, Operate and Transfer (BOT) model of Public-Private-Partnership (PPP) through a bidding process to implement the project.

The partner was to develop, build, construct and commission the project within 6 ½ months (set-up phase)

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and operate and maintain it for a period of five years (operation and support phase). During the set-up phase, the partner was to digitize the survey data and supply temporary ration cards or coupons (TCs) for issue to the families. Thereafter, the photographs and finger biometrics of family members above the age of 12 years were to be captured. After validating the data collected and verifying these with other external data bases, the partner was to issue permanent ration cards to the families. The partner was also required to put in place necessary infrastructure such as hardware, software, networking, connectivity, etc., and host the data on the servers of the Revenue Department available at the State and taluk levels. This would complete the set-up phase, after which the operational support activity was to remain active for a period of five years.

Against the projected expenditure of Rs.104.52 crore, the Department had spent Rs.54.53 crore and even the set-up phase of the project has not been completed (September 2011).

2.1.2 Organisational set-up

Secretary, Food, Civil supplies and Consumer Affairs (Secretary) was responsible for implementing the project. He was assisted by the Commissioner of the Department,

Deputy Commissioners and Deputy Directors (DDs) at the district level and Tahsildars at the taluk level. A Project Management Committee (PMC) headed by the Secretary and consisting of Commissioner, Secretary, e-Governance and others was entrusted with the responsibility of monitoring the implementation of the project and advising the Department in matters related to the project.

2.1.3 Audit objectives

The Audit was taken up with the objective of ascertaining whether the :

- Induction of the private sector agency into the project resulted in improving the value for money for the Government and served public interest;
- Selection of partner was fair, transparent and competitive;
- Department had put in place a sound system to oversee the efficiency of the project implementation including infrastructure set-up, quality management and compliance with the contract conditions; and
- Public resources had been responsibly and effectively utilized to achieve the intended results.

2.1.4 Audit Scope and Methodology

The audit of the comprehensive computerization project was conducted during January to May 2011 covering the period 2005-11 on the basis of records made available by the Secretary, Commissioner, Deputy Commissioners (DCs), DDs of nine out of 30 districts and 18 out of 177 taluk offices. The Secretary accepted the audit findings and stated (August 2011) that he had no comments to offer.

2.1.5 Audit Findings

2.1.5.1 Adoption of PPP model for the project was not justified.

PPP rout taken without due diligence

Under the BOT category of PPP model, the private partner is made responsible for designing, building and operating the facilities created during the contracted period and thereafter transferring back these facilities to the public sector. The private partner is to bring the finance for the project and take responsibility for creating the facilities and maintaining these. The public sector either pays a rent to the private partner for using these

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facilities or allows the private partne4r to collect revenue from the users.

Audit observed that the decision to adopt the PPP route had not been taken after considering all alternatives. The decision to take the PPP route for the computerization project was taken (August 2005) by the Empowered Committee considering the success of the Bhoomi Computerisation Project implemented by the Revenue Department based on the PPP model. The computerization plan envisaged that the project would be implemented without budgetary support. The Department's role was to finance the project by collecting user charges from the public for issue of ration cards. The partner, on the other hand, was to implement the project in two phases (as discussed in paragraph 2.1.1).

According to the agreement, the partner was to be paid at the agreed rates for each of the activities under the set-up phase like a construction and service contract as shown in Appendix-2.1. Under the operation and support phase also, the partner was to be paid every month for the services as shown in Appendix-2.2. The PPP model as conceived by the Department was flawed as there was reversal of roles of public sector and private partner. The partner was not required to bring in any

finance and the Department undertook the responsibility of mobilizing financial resources. The Department failed to analyse in this context whether it would have been possible to create the project on its own under regular contracting procedures instead of taking the PPP route. The Department also did not analyse the risks faced by the project, especially the one arising from dismal performance of the partner disrupting services to the public. While the assets for the project were created with user charges collected from the public, the control of assets remained solely with the partner during the set-up and operation and support phases and the Department did not have any control over these assets. Thus, the project characteristics and objectives did not logically call for the PPP arrangement. The Department underestimated the project complexities and perceived that development of IT system and its operation would be straightforward. The complexities were compounded by enlargement of the scope of the work in the set-up phase [as discussed in Paragraph 2.1.6.2(i) & (iv) resulting in additional risk, which the Department failed to manage.

Further, qualifying procedures, the selection of the partner, reporting, oversight system etc., were also flawed, resulting in selection of a partner inadequately

equipped to deliver and the consequent failure of the PPP. After receiving a payment of Rs.54.23 crore, the partner closed their operations prematurely in November 2010 without transferring to the Department any of the assets except the ration card database. The progress achieved by the partner under various items on the date of closure of operations is shown in Table-2, Table-3 and Table-4 in the later part of this report. As the Department failed to consider all relevant risks at the time of embarking upon the PPP arrangement, the process of issue, modification and deletion of ration cards had come to a standstill since November 2010, as discussed in the succeeding paragraphs.

2.1.5.2 Bidding process and selection of partner

(i) Time limit prescribed for receipt of tenders not adhered to –

Time for receipt of tenders reduced

The Department invited Expressions of Interest (EOI) from companies / consortia of companies for the computerization project on 5 October 2005, fixing 29 October 2005 as the last dates for their receipt. This process

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was to facilitate short-listing of the companies eligible for submitting the Request for Proposal (RFP). The Karnataka Transparency and Public Procurement Act (Act) prescribes that 60 days are to be allowed for receipt of tenders where the cost of work put to tender is more than Rs.2 crore. Although the estimated cost of computerization was Rs.75 crore, the time allowed to the bidders for submission of EOI was only 25 days. Government approved (October 2005) the shortened timeframe on grounds of urgency in completing the project. However, Government's decision failed to appreciate the complexity of the project and glossed over the need to allow sufficient time to get good response to the tender in such a complex project. Besides, the Department had never raised the issue of urgency till it approached (October 2005) the Government for grant of exemption from the provisions of the Act. Even thereafter, the Department showed no urgency in completing the project which remained incomplete even as of December 2011. Thus, the rules prescribed for ensuring

competitive bidding had been disregarded without adequate justification.

Out of nine EOI received, the Department shortlisted three bidders for submission of RFP. Government approved (March 2006) entrustment of the computerization project to a partner whose financial bid was the lowest.

(ii) The project was awarded to a partner not satisfying the eligibility criteria.

Partner was selected by-passing the eligibility criteria

The eligibility criteria prescribed at the time of inviting EOI permitted a consortium of businesses to submit the EOI. The partner, instead of forming a consortium, entered into two separate teaming agreements was to sub-contract certain portions of computerization to these companies in the event of the partner being awarded the contract for computerization. One teaming agreement had been entered into on 15 October 2005 with three relatively smaller businesses for subcontracting creation of beneficiary database and issue of ration cards in seven districts and providing support functions. The

other was executed on 7 November 2005, after the last dates fixed for submission of EOI, with a business entity subcontracting the work of setting up the infrastructure for computerization. As one of the teaming agreements was got executed only after submission of EOI, the partner failed to meet the criteria prescribed for short-listing on the date of submission of EOI. Even otherwise, the partner with two separate teaming agreements for subcontracting certain portions of computerization did not qualify as a consortium. The Department, nevertheless, recognized the partner as a consortium and shortlisted it for submitting RFP.

Further, after referring the offer of the partner to Government for approval, the Department issued letter of intent to the partner on 25 January 2006 without waiting for approval of Government. The Department also erred (March 2006) in executing the agreement with the partner in its individual capacity instead of its capacity as the lead partner of the consortium. While the business entity

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responsible for infrastructure creation did not participate in the computerization project at all, two out of the three business entities entrusted with database creation and issue of ration cards also left (February 2007) the partner. When the Commissioner sought (April 2007) clarification on the issue, the partner informed (May 2007) that the consortium members had withdrawn due to inordinate delay in completion of the project and it would complete the remaining activities on its own. Thus, the partner who did not meet the eligibility criteria and who did not possess the requisite resources was injudiciously entrusted with the work of implementing the computerization project.

(iii) Terms of contract modified at the time of agreement.

Material changes were made at the time of agreement

The Department issued RFP during January 2006 to three shortlisted consortia of companies and the selection of partner was based on the terms and conditions contained in the RFP, which were, therefore, not to be varied or modified when entering into

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agreement with the selected partner. Scrutiny, however, showed that the Commissioner materially altered the terms and conditions and nature of deliverables specified in the RFP at the time of entering into agreement with the partner as discussed below:

(a) The RFP did not envisage payment of interest for delayed payment of bills. However, the agreement with the partner required the Department to settle all the bills within a period of 15 days, failing which interest at one per cent per month or part thereof was to be paid on delayed payments. This unauthorized change facilitated an extra payment of Rs.1.16 crore to the partner, out of which Rs.73.56 lakhs was not even as per the approved rate as discussed below :

- The PMC approved (September 2009) extra payment at the rate of Rs.425 per manday for the additional mandays involved in grievance processing. The PMC also approved payment of interest for

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delay in payment for grievance processing. Accordingly, the Department paid interest of Rs.91.85 lakh to the partner. It was further seen that as per the approval, interest at the rate of 8 per cent was to be paid. The approved rate together with interest translated to Rs.459 per manday. However, the Department paid Rs.513 per manday for 104375 additional mandays, resulting in an excess payment of interest of Rs.56.36 lakh to the partner.

- According to the agreement, payment was to be made within 15 days from the date of receiving a claim from the partner failing which interest at the prescribed rate was payable. In respect of Bangalore Informal Rationing Area, the partner submitted a claim for Rs.1.18 crore on 26 March 2009 and the PMC approved payment thereof only in

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September 2009. Though the delay of five months and 7 days attracted payment of interest at 6 per cent, the PMC approved interest for a period of 31 months at the rate of 8 per cent per annum. PMC's approval facilitated an excess payment of Rs.17.20 lakh out of the interest of Rs.24.28 lakh paid to the partner.

(b) As pr the RFP, the partner was to initially submit a performance Guarantee for 6.5 per cent of the total value of the contract. On successful completion of creation of beneficiary database, ration card issue and infrastructure creation, the partner could replace the bank guarantee initially submitted, with a guarantee for a value that would be the total cost of the project minus the cost of the work successfully completed. However, as per the agreement, the partner was required to keep the initial performance guarantee only for a period of one year starting from 27 March 2006 irrespective of the progress achieved. This enabled the partner to reduce the guarantee amount from

Rs.6.10 crore to Rs.1.62 crore from the second year inspite of non-completion of the activities prescribed. Though the partner stopped the work in November 2010 and there were serious deficiencies in performance, the Department failed to take any action for invoking the performance guarantee. The partner did not renew the performance guarantee even for the reduced value beyond 24 January 2011.

(c) The payment schedule for each of the milestones for the set-up phase was also substantially altered to the advantage of the partner at the time of agreement as shown in Appendix-2.3. The altered payment schedules particularly for (i) online photography and biometric data capture, and (ii) data consolidation, validation, issue of ration cards and printing of final assignment register extended substantial business advantage to the partner. While the RFP linked the payments with deliverables at the district level, the agreement provided for payments for deliverables at the taluk/village level. The RFP mandated the partner to collect add-on data

required by other departments desiring to use the computerization project to create their database. The partner was to collect this add-on data during photography and biometric data capture. The payment schedule as per RFP, therefore, clubbed the add-on data collection with the activity of online photography and biometric data capture. However, the payment schedule of the agreement delinked this deliverable from photography and biometric capture and listed it as a separate milestone, enabling the partner to become entitled to payment for photography and biometric capture without collection of add-on data. Further, the percentage payments as per the agreement were totally at variance with those stipulated in the RFP.

Further, according to the schedule of work in the RFP, work on the critical component of the project viz., Infrastructure creation, ICT tools procurement and deployment, manpower training, and application/software deployment on Pilot basis' was to commence after the first

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month of the project set-up phase. However, the agreement pushed this important deliverable to the fifth month towards the end of the set-up phase.

(d) As the project was service oriented, the operational portion of the agreement between the Department and the partner was in the form of a service level agreement (SLA) which specified the levels of service to be provided by the partner. The SLA also prescribed the limits and metrics for lower performance besides specifying the penalties for breach of the metrics.

The RFP envisaged that the Department would reserve all right to update/ modify/ change/ negotiate the SLAs for better implementation of the project. However, the agreement modified this provision to the effect that the parties to the agreement might mutually agree to update/modify/ change/ negotiate the SLAs for better implementation of the project. It was further seen that the penalties for breach of metrics prescribed in the RFP for some key milestones were altered in the SLA to the

advantage of the partner at the time of agreement even before commencement of work on the project as shown in Table-2.1 below:

Table-2.1: Penalties as per RFP and SLA

Service	Penalty as per RFP	Penalty as per SLA
Online photography & biometric data capture, add-on collection and issue of bar coded coupons	Deduction of one performance point (PP) for every incomplete or incorrect record. Penalty of Rs.10000 per record if errors were detected subsequent to approval and payment.	Deduction of I PP for every wrong linkage beyond 0.2 per cent wrong linkage.
Add-on data collection	Deduction of -I PP for every incomplete or incorrect record. - Penalty of Rs.10000 per record if errors were detected subsequent to approval and payment	Deduction of 2 PPs for each percentage point beyond the data error rate of 10 per cent.
Data consolidation & validation	Deduction of 2 PPs for each percentage point beyond the accepted data error rate of 10 per cent. Penalty of Rs.10000 per record if errors were noticed after approval and payment.	Nil Nil
Issuance of ration cards	If errors in ration cards were detected, partner was to be penalized Rs.10000 per record.	Penalty of Rs.10000 per category error noticed after approval and payment.

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The issue of ration cards was the eighth milestone in the project set-up phase. The SLA with the partner envisaged that if the ration card issue at village level was completed without any penalty, any schedule related penalties levied earlier for the activities leading to issue of ration cards would be cancelled, entitling the partner to receive full payment. However, these provisions had not been part of the RFP. The provision for cancelling earlier penalties levied was uncalled for and amounted to extension of undue benefit.

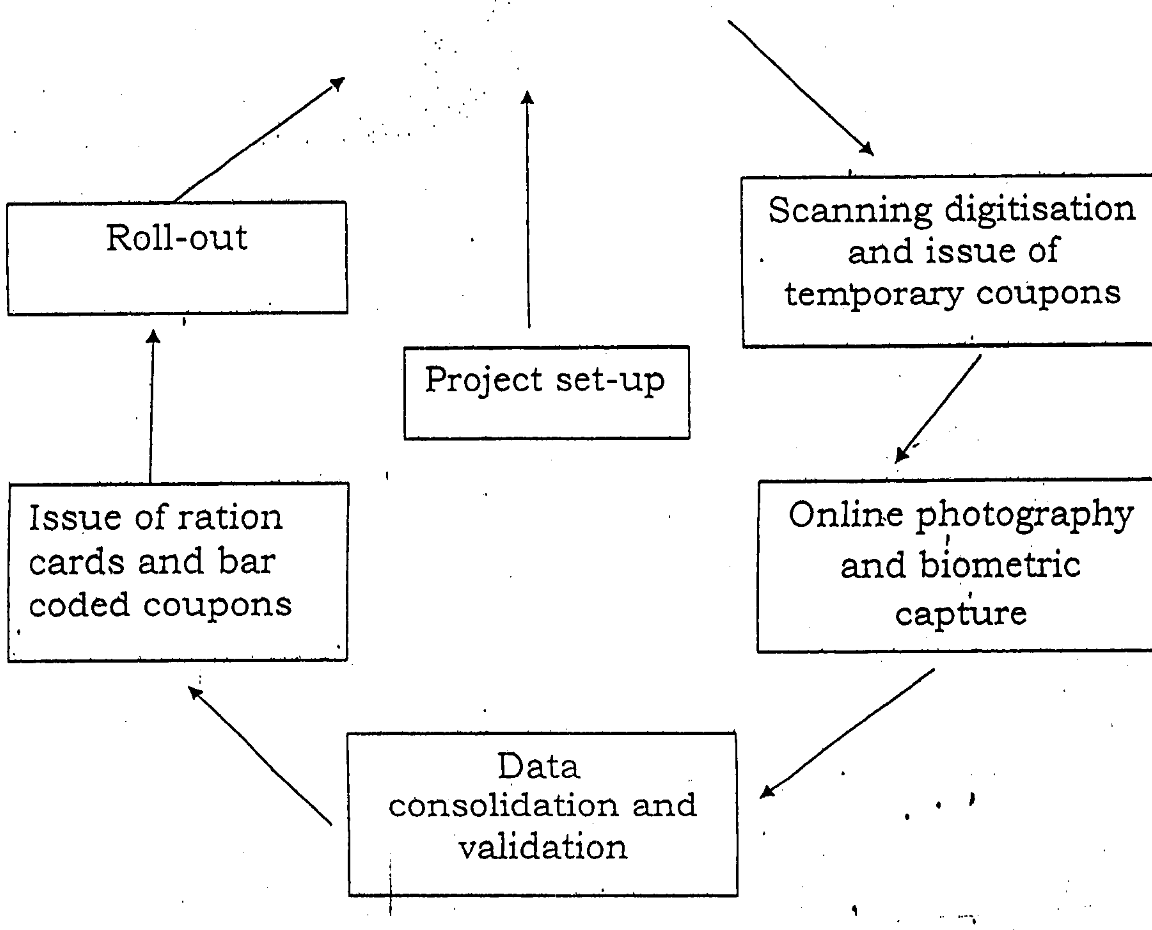
(e) The performance points to be deducted for delays in deliverables were also altered to the advantage of the partner as shown in Appendix-2.4. For instance, for a delay of 4 weeks in delivery of a key milestone, the performance point to be deducted as per RFP was 70 while it was only 38.50 as per the agreement.

(f) As per the RFP, the partner was required to create an infrastructure capacity of 200 transactions per hour at the district level. This was, however, modified to 100 transactions per hour to the advantage of the partner in the SLA.

2.1.6 Project implementation

According to the Agreement, the partner was to develop, build, construct and commission the project within 6.5

months (Project set-up phase) and operate and maintain it for a period of five years (Operation and support phase). The key activities envisaged in the set-up phase as shown below and implementation of these activities is discussed in the succeeding paragraphs:



2.1.6.1 Detailed system study

(i) The partner implemented the project without testing of systems-

User Acceptance testing of systems

The RFP envisaged that the first activity to be taken up by the partner would be the detailed study of various systems and processes for

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not done achieving the project objectives. The agreement also prescribed that while the study for data digitisation to be taken up initially was to be completed within two weeks, the detailed system study was to be completed within 2.5 months from the date of award of the contract.

The system study involved a detailed analysis of the existing system, preparation and finalization of a software development plan, software requirement specifications (SRS), design document, testing and acceptance plan, change management process, third party auditing and finalization of a training plan etc. the partner ignored the system development procedures while implementing the project and carried on without finalizing the SRS, design documents etc. As per the agreement, the Department was to undertake testing, acceptance and certification of the deliverables under the project. The Department and the partner were to first jointly prepare a comprehensive "Acceptance Test Plan". The acceptance tests of the systems designed to

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meet the functionality and performance requirements were to be carried out jointly by the Department, the partner and an independent third party. The acceptance tests would be complete only on issue of acceptance certificate by the Department to the partner. As no system test plans had been in place, the partner did not conduct user acceptance testing and obtain the approval of the Department. The Commissioner failed to invoke the agreemental provisions and restrain the partner from carrying out the computerization without conducting user acceptance testing of the systems and did not also verify the appropriateness and adequacy of application software modules that had been used by the partner for the project. In a report submitted to the Commissioner in October 2010, the partner claimed to have developed and deployed various softwares for data validation, bulk ration card issue, ration card management, data export capability, grievance redressal, etc. This effectively meant that the partner continued to deploy untested and

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unaccepted deliverables for capture and processing of data and the Department never had any access to the database throughout the project implementation period. The Commissioner failed to ascertain and assess the procedures put in place by the partner to ensure data security, physical and logical access controls, operational continuity, data back-up and disaster recovery. Thus, the lapses of the Department in enforcing the contracted processes facilitated the implementation of the computerization project in a totally uncontrolled environment.

2.1.6.2 Data Digitisation and issue of Temporary Coupons.

(i) Grievance processing led to abnormal increase of BPL cards and delayed project implementation -

BPL families increa-sed after grievance proce-ssing.

The door – to - door survey (March 2005) identified 1.27 crore families (65.79 lakhs BPL and 61.05 lakh APL families). Although sufficient time had elapsed between the survey And award of the contract to the partner, the Department failed to assess the risks in digitizing the survey data without updation.

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The risks consisted of families not covered by the survey, families splitting up during the intervening period due to various reasons, inaccuracies in the survey etc. The Department's decision to proceed with the digitisation without managing these risks was, therefore, flawed. The project design evolved by the Department also underestimated the complexity of issuing TCs immediately after digitisation. The success of this process depended largely on the reliability of the survey data. If TC's were to be issued based on the untested survey data, the Department would be confronted with the risk of having issued TCs to ineligible families, particularly BPL families, in the event of survey data proving to be unreliable. In such a situation, the Department would be burdened with the complicated process of cancelling the TCs already issued to ineligible families after their identification. As the project envisaged capture of photographs and finger print biometrics of the families, issue of permanent ration cards to the eligible families after data

validation would have ensured that only eligible families were issued ration cards. However, issue of TCs immediately on digitisation of the untested survey data led to abnormal increase in the number of ration cards, particularly BPL cards, as discussed below :

- As per the agreement, the partner was to complete the digitisation work within 45 days. Against 1.27 crore families as per the survey, the partner supplied 1.19 crore TCs to the Department between August and October 2006. Even before the partner supplied the TCs, the DDS in the districts reported (July 2006) to the Commissioner on the possibility of several types of discrepancies in the TCs to be issued viz., discrepancies in names and ages of the beneficiaries, differences between details as per survey and TCs, changes in categories of APL and BPL beneficiaries, omission of beneficiaries during survey, changes in Fair Price Depots etc. The Commissioner authorised (July and September 2006) the partner to receive grievances from the beneficiaries at taluk offices and process these within 15 days. This was a post-survey opportunity given to the beneficiaries to

submit their grievances and get the discrepancies rectified. This initiative by the Department was belated and untimely as the exercise ought to have been done before issuing the TCs. The Commissioner directed (October 2006) the partner to grade the grievances under nine distinct categories viz., G1 to G9. Grievances under G1 to G7 related to rectification of errors. While G8 related to change of category from APL to BPL, G-9 related to issue of new cards to those not covered by the survey.

- As of December 2006, the partner had received 58.72 lakh applications containing 64.22 lakh grievances including 10.39 lakh grievances relating to G1 to G7 categories. It was seen in test – checked taluks that the grievances were processed during November and December 2006 and TCs in respect of G8 and G9 grievances were supplied by the partner very belatedly between February 2007 and November 2008. Further, G1 to G7 grievances relating to errors in the database were not acted upon. Non-rectification of these errors pointed out in 10.39 lakh grievance applications resulted in wasting an opportunity to rid the database of errors.

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The details of TCs supplied by the partner on the basis of digitisation of the survey data/ grievances and those distributed to the beneficiaries were as shown in Table-2.2 below:

Table-2.2 : Number of TCs distributed to the beneficiaries.

(Numbers in lakh)

Digitisation	Number of TCs issued	Number of BPL TCs issued	Percentage of BPL TCs to total number of TCs
As per survey (including Bangalore Informal Rationing Area)	118.96	65.79	55
Additional TCs issued based on grievance processing	21.24	20.43	96
Total	140.20	86.22	68

(Source: Information furnished by the Commissioner)

- As of 1 January 2004, Karnataka had about 78 lakh BPL ration cards out of 1.05 crore families. The number of BPL cards was 2.5 times the estimate of 31.29 Lakh BPL families estimated by the Planning Commission. According to a subsequent sample survey done

(January 2004) by the Planning Commission in the State, the exclusion error was about 22 per cent while the inclusion error was in excess of 40 per cent. According to a subsequent report sent (September 2005) by the Principal Secretary of the Department to Government of India, the departmental survey had brought down the BPL families to a much more reasonable number of 60 lakh. However, while the number of BPL ration cards increased to 86.22 lakh after acting on the grievances, the number of families shot up to 1.40 crore as per the TCs issued. As per the agreement, data validation using business rules and external database look up was to be carried out by the partner, wherever possible. However, the partner did not carry out data validation against external databases as the Department handed over these to the partner only in March 2009. Even data validation within the beneficiary database was partially carried out and the partner did not submit exception reports to the Department. The Department also failed to take sufficient steps

to sort out the delay in processing of grievances and to examine the reasons for abnormal increase in number of BPL families and take corrective action.

(ii) Irregular payments for grievance processing

PMC ignored the lapses of the partner

The partner claimed (August 2007) separate payments for processing the grievances on the ground that it was not part of the agreement and that laptops and manpower had been additionally deployed for carrying out this work. The PMC approved (January 2008 and September 2009) additional payment of Rs.2.21 crore and Rs.5.35 crore for the work at taluk and district levels respectively subject to the DDs of the districts certifying the additional systems and manpower claimed to have been deployed by the partner. The PMC's decision to make additional payment of Rs.7.56 crore to the partner was irregular as it glossed over the lapses of the partner that led to receipt of grievances. It was further seen that the DDs did not maintain any records in respect of the additional systems and

manpower deployed by the partner for grievance processing. The Commissioner also had failed to instruct the DDs in the districts to monitor this aspect while authorizing the partner to process grievance applications. The DDs, nevertheless, certified the claims of the partner based on the information furnished by the latter without having any record to check the veracity of the claim. Thus, DDs also facilitated the irregular payment to the partner by furnishing false certificates.

(iii) Excess payment towards printing of grievances-

Excess Payment for printing of grievances

The partner was to collect the grievances at the taluk office, log in the corrections manually and generate two print-outs of the grievances. While one print out was to be given to the beneficiary, the other was to be filed for further processing. The payment of Rs.7.56 crore made to the partner included Rs.56.99 lakh towards printing of 87.68 lakh pages of grievance applications. It was, however, seen that the partner submitted only 54.52 lakh pages of printed grievances in respect of G8

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and G9 and did not print and hand over 33.16 lakh grievance application pages in respect of G1 to G7. This resulted in excess payment of Rs.21.55 lakh to the partner.

(iv) Government ordered issue of temporary ration cards without checks and balances.

Temporary ration cards issued on the basis of affidavits

As several eligible families were not covered under the PDS even after acting on the grievances, Government instructed (November 2008) the partner to receive applications from the left-out families at Nemmadi centres established by the e-Governance Department at the Hoblis. These centres provided convenient access point for citizens to avail of a number of government services. Each application was to be accompanied by an affidavit furnishing the requisite details and applicants furnishing false information were liable to face criminal action. Government, however, authorised (January 2009) the partner to issue TCs based only on the affidavits without exercising any checks and balances. The partner was to do the

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verification after issue of temporary coupons at the Nemmadi centres. Against 34.47 lakh applications received during January to March 2009, the partner issued 28.99 lakh TCs, including 28.44 lakh relating to the BPL category on the basis of self-declarations. Government's decision to issue TCs based on self declarations without any checks and balances was evidently flawed as it gave unlimited scope for bogus ration cards which defeated the very objective of the computerization project. Further, with the issue of 28.44 lakh TCs relating to BPL category, the number of BPL cards in the State increased from 86.22 lakh to 114.66 lakh, while the total number of ration cards rose to 1.69 crore, which numbers were evidently suspect.

As in the case of grievance processing, PMC approved (September 2009) payment of Rs:3.74 crore for processing self declarations received at Nemmadhi centres. Though the PMC's approval was subject to the DDs certifying the additional systems and

manpower deployed for the purpose, the Commissioner paid Rs.3.74 crore to the partner without insisting on certificates from the DDs.

2.1.6.3 On-line photography and biometric data capture

After handing over the TCs, the partner's teams were to visit each village with the requisite equipment and capture individual colour photographs and finger biometrics of family members above the age of 12. According to the agreement, this work was to be completed by 27 August 2006. The partner was to complete online photography and biometrics for at least 70 per cent of the families at the village level and was to make multiple visits to the villages, if necessary. The remaining families were to be covered at the taluks/districts.

(i) Biometric system's capacity not demonstrated.

Partner used unte-**sted** bio-metric system.

The Project proposed to use biometrics for unique identification of the beneficiaries. The process involved capturing biometric data, storing it in a central database and comparing new biometrics with what had been stored

already in the database. It required installation of a biometric infrastructure system for capturing the data at the field level, establishment of a central database for holding the data already enrolled and a communication infrastructure connecting the central database and the field level biometric devices.

The capability and performance of a biometric system is determined through two quantitative measures viz., the False Rejection Rate (FRR), and the False Acceptance Rate (FAR). The FRR is the proportion of the eligible people whom the system fails to enroll after validating with biometrics. The F A R is the proportion of ineligible people whom the system permits to enroll after biometric validation. THe project proposed a combination of two biometrics for validation viz., finger print and face to uniquely identify each person.

The RFP specified a FRR of 1/100000 for finger print validation. The FRR and FAR of face biometrics were not specified in the RFP. The fingerprint and face biometrics combined was to ensure higher performance efficiency in

terms of FRR and FAR. The Department was expected to ensure that the partner deployed a biometric infrastructure that was capable of meeting the level of FRR and FAR envisaged in the RFP.

Audit observed that the FRR and FAR of finger biometric prescribed in the RFP were omitted from the agreement entered into with the partner. The suitability of the partner's biometric infrastructure system to meet the prescribed levels of FAR and FRR was never checked as no system testing had been done and no third party audit had been conducted. Thus, the partner captured fingerprint biometrics without demonstrating the capability of the system to meet the prescribed levels of FAR and FRR.

(ii) Tardy performance in biometrics and photograph capture.

Capture of photo-graphs and biom-etric was income-plete

Although the agreement envisaged online photography and biometric capture, the teams deputed by the partner used individual laptops to capture the photographs and biometrics of the beneficiaries. The requisite infrastructure to carry out biometric validation either at the time of capturing photographs and biometrics

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of the beneficiaries at the village level or at the time of consolidation of data at the taluk level had not been in place to eliminate the ineligible families concurrently. The partner started the capture of biometrics and photographs only in February 2008 and the progress achieved as of November 2010 was as shown in Table-2.3 below :.

Table-2.3: Progress in capture of photographs and biometrics.

(Numbers in lakh)

Stage	No. of temporary coupons issued	No. of families photographed and biometrics captured	Percentage of coverage
Data digitisation based on survey and processing of grievances.	140.20	99.29	71
Self-declaration by beneficiaries	28.99	24.88	86
Total	169.19	124.17	74

(Source Information furnished by the Commissioner)

According to the agreement, the partner was entitled to a payment of Rs.22 per family on completion of capture of colour photographs of

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all the family members and biometrics of those above the age of 12. Even though 74 per cent progress was reported to have been achieved, it was seen that biometrics of only one member had been captured in respect of 8.40 lakh families. Records did not evidence whether there were such unusually large number of single member families or whether the partner had only partially captured the photographs and biometrics of family members in these cases. Audit could not also verify whether full payment at the agreed rates had been made in these cases.

It was further seen in Mandya and Bijapur districts that the Commissio9ner paid for partial photography overlooking the information regarding the partial completion furnished (December 2008 and January 2009) by the DDs in the certificates. DDs of Gulbarga, Raichur, Bellary and Ramanagaram districts had also reported (June 2010 to December 2010) that while bio-metrics had been collected from 26,270 families, photographs of the family members did not

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appear in the display list. DD of Raichur district additionally reported (October 2010) that photographs were captured for the second time in some cases for which the partner had additionally collected Rs.45 from each of the families. However, the Commissioner failed to investigate these lapses and make suitable deductions from the bills of the partner.

(iii) PMC approved payments for idle labour and equipment deployed by the partner.

Partner received payment for idle labour and equipment.

The Commissioner instructed (January 2007) the partner to establish 68 designated photographic locations (19 in Bangalore Urban and 49 in Bangalore Informal Rationing Area) by 20 January 2007. Subsequently, the work was limited to Bangalore Informal Rationing Area and the partner was directed to keep the infrastructure ready by 24 January 2007. However, the Commissioner instructed (April 2007) the partner to stop the entire process as it had been decided to collect the applications manually without involving the partner.

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The partner claimed that during the period 25 January 2007 to 7 April 2007, manpower and infrastructure deployed at 23 locations for 73 days remained idle and sought compensation. The PMC approved (September 2009) the claim and directed the Commissioner to make payments subject to the DDs certifying the manpower and infrastructure claimed to have been deployed by the partner. Commissioner irregularly paid an amount of Rs.1.42 crore to the partner without obtaining the certificates from the respective DDs. The irregular expenditure of Rs.1.42 crore was indicative of lack of due diligence by the Commissioner before directing the partner to deploy manpower and infrastructure.

2.1.6.4 Date Consolidation and validation

(i) The partner did not validate the data collected.

Validation of data not done,

After completion of capture of photographs and biometrics, the partner was to validate the data collected and verify the data against other databases such a s those of voters list, Bhoomi, LPGS, Rural Development and

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Panchayat Raj Department and telephone list to be provided by the Department to detect ineligible beneficiaries. The comparison was to be made across all beneficiaries in a taluk. Permanent ration cards to the eligible beneficiaries were to be issued only after data consolidation and validation. The partner claimed (February 2011) to have consolidated and validated the data and identified 8,64 lakh ineligible families. However, there was no follow up action for removing these ineligible families from the database. The validation exercise done by the partner was also incomplete as capture of biometrics and photographs of beneficiaries had been only partially done. Any validation done with incomplete biometrics and photographs was not capable of identifying the ineligible families fully. Further, there was significant delay by the Department in handing over the external databases to the partner. The voters list and Bhoomi databases were handed over to the partner only by March 2009. However, the

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partner failed to validates the data against these external database.

As per the agreement, the partner was to be paid Rs.3.30 per family on completion of data validation and submission of exception reports. Although the partner had completed internal validation only partially on account of incomplete biometrics and photographs and also did not verify the data against external databases, Commissioner irregularly paid Rs.3.05 crore to the partner for data consolidation and validation of Rs.92.40 lakh records.

2.1.6.5 Issue of ration cards

After finalization of the list of beneficiaries, the partner's teams were to visit the villages and issue ration cards to the beneficiaries after verification of their photographs and biometrics. On completion of the village level exercise, the database was to be updated at the taluk office and beneficiaries who had not collected ration cards at the villages were to

collect these at the taluk office against biometric validation.

(i) Department did not have information on ration cards issued -

Issue of ration cards not monitored

The progress in issue of ration cards as of December 2010 was poor as shown in Table-2.4 below :

Table-2.4: Status of issue of ration cards in the Project

(Figures in lakh)

Stage	No. of temporary coupons issued	No. of families photo-bio captured	No. of permanent ration cards printed by the partner	No. of perma-nent ration cards issued	% of printed cards to temporary coupons issued	% of permanent cards issued to families photo-bio captured	No. o % ratio card printe but not issue
Data digitisation based on Survey data and grievance processing	140.19	99.29	86.95	74.17	62	75	12.7
Self declaration by benefi-ciaries	28.99	24.88	0.29	0.29	1	1	....
Total	169.18	124.17	87.24	74.46	52	60	12.7

(Source: Information furnished by the Commissioner)

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The Commissioner stated (September 2011) that the partner had dumped about 7.77 lakh ration cards (including 1.19 lakh TCs) in various offices of the Department in the month of November 2009 and these had been lying undistributed for reasons not known to him. It was further stated that the information furnished to audit by his predecessor had been based entirely on figures submitted by the partner and the Department did not have any database to verify and validate these figures. A field enquiry would thus be necessary to verify the TCs and ration cards printed and distributed. The Secretary also reiterated (September 2011) the Commissioner's reply. The reply evidenced that the Department was not in possession of any independent information on the progress achieved by the partner from time to time against each milestone. As the oversight mechanism remained inefficient and ineffective; the project was in an unsatisfactory condition and at a significant risk of failing to deliver.

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(ii) The partner did not set up infrastructure for operation and support-

Infrastructure for operation and support not created

The RFP envisaged infrastructure creation and manpower training for the operation and support phase concurrently with digitisation of survey data, data consolidation and validation during the second to sixth month of the project set-up phase. However, the partner did not even commence this activity till closure of operations prematurely in November 2010 and the Department also did not enforce the contractual obligation of the partner.

2.1.7 Premature closure of operations by the partner –

The partner stopped the work abruptly

Although the partner was to complete the set-up phase by October 2006 as per the agreement, the work remained incomplete even as of November, 2010. The various activities undertaken by the partner till November 2010 are as shown in the Table – 2.5 below :

Table-2.5 : Various activities undertaken by the partner –

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Activity	Duration of the activity	
	From	To
Data Digitisation based on survey.	April 2006	July 2006
Issue of TCs	August 2006	September 2006
Receipt of grievances	August 2006	November 2006
Digitisation of grievances	November 2006	December 2006
Issue of TCs for G7 grievances	February 2007	September 2007
Issue of TCs for G9 grievances	February 2007	November 2008
Capture of photography and biometrics	February 2008	September 2008
Self-declarations		
Issue of TCs	January 2009	March 2009
Photographs and biometrics	August 2009	November 2009
Permanent ration cards to the beneficiaries	March 2010	November 2010

(Source: Information furnished by the DDOs)

Although the partner was way behind the agreed schedule, the Secretary / Commissioner / PMC never explored the feasibility of fixing a fresh timeframe for completion of the set-up phase and the project lacked clear lines of decision making, accountability or responsibility. The Department failed to ensure that the

partner followed the approach that it has been contracted to follow in implementing the project. Ineffective performance management of the contracted process by the Department seriously undermined its ability to hold the partner accountable or pursue it for breach of contract.

The Secretary, in his report (August 2010) sent to the Chief Secretary observed that the data gathered by the partner was nothing but a huge junk and that refining it would involve great effort and time. Observing that the partner had not set up a database yet even after receiving more than Rs.54 crore, the Secretary reported that the data gathered by the partner was beyond the reach of the Department. The Secretary assessed the loss to the State exchequer at Rs.720 crore during 2007-08 to 2009-10 as a result of delay in completing the set-up phase, during which the illegal card holders drew rationed articles at subsidized rates :

The partner closed the operations in November 2010 without handing over any of the assets. According to the Secretary of the Department, the partner hosted only the RCMIS data subsequently on the State Data Centre by March 2011. However, the Department did not cancel the contract with the partner to gain time to ascertain the

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facts correctly and secure the data which the partner had gathered and retained. As the Department decided to rectify the mistakes in the database on its own, it procured (March 2011) 205 computers with accessories such as laser printers, biometric devices, laminating machines, scanners and UPS for deployment in taluk and range offices at a cost of Rs.2.04 crore. This expenditure was necessitated by the failure of the Department to ensure installation of the ICT infrastructure during the set-up phase by the partner.

Government stated (August 2011 & September 2011) that after the transfer of RCMIS data to the State Data Centre in March 2011, the Department brought in National Informatics Centre (NIC) to control further damage and to evolve a better system of managing the ration cards. NIC was to refine the data and build a proper database by developing softwares and applications. To identify ineligible cards, the NIC was linking the electricity meter numbers of residences of beneficiaries in urban areas and the house tax assessment numbers in rural areas. The objective behind roping in NIC was not to complete the set-up phase but to (i) prevent further mis-management by the partner and deterioration of the system, (ii) take hold of

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the ration card data from the partner in view of the huge payments made and time spent and set-up a proper database, (iii) identify ineligible ration cards issued by the partner and eliminate them and rework the APL, BPL and AAY classification of families, and (iv) arrange for issue of ration cards to eligible families denied of the benefit. Government further stated that very good progress had been achieved and the Department had already identified 16.45 lakh ineligible ration cards in urban areas and another 26.29 lakh illegal LPG gas connections in the State.

2.1.8 The partner's database was technically evaluated.

The findings on various issues included in the draft report submitted (December 2011) by the company appointed by Government for a technical evaluation of the computerization project were as under :

Issue	Findings
Adequacy of the database vis-à-vis the promised specification or industry practices.	Data in the database was not complete. Many of the significant tables were empty. There were fields for which no data was computed. "Audit Trail" was not

	populated for any of the 11 districts taken as sample. The table structure was not consistent across the districts. Database was not in accordance with the specification listed in the agreement.
Appropriateness of the use of database – entry, updation and validation.	Due to lack of standard operating procedures (SOPs) and relevant documents, commenting on the process / procedure followed was rendered difficult.
Assessment of the integrity and completeness of the data during digitisation for both biometric and pictorial data.	Establishing the integrity and completeness of data was found to be difficult due to non-production of SOPs, relevant documents, final assignment register and display lists. Biometric and pictorial data was in encrypted format and analysis of the same was not possible due to absence of any relevant supporting documents.

Instances where more than one ration card was issued to household.	The inconsistencies in the database made it impossible to come out with the total number of beneficiaries whose data was captured by the partner. As relevant documents were not provided, establishing instances, where more than one ration card was issued to a household, became practically impossible.
Assessment of outputs with reference to the deliverables and time schedule as per the agreement.	Most of the deliverables were not delivered to the Department and no details of the same were provided either by the partner or the Department.

Besides, the company undertook demonstrations on the field on a sample basis to assess the adequacy of mechanism to prevent duplication of biometric data. Persons whose photographs and biometrics had been taken earlier by the partner were called to a common place in the randomly selected villages. Each person was

asked to place the finger on the biometric device. Once the finger print was read, the module searched for a match in the database. This matching was categorized as 'one to many matching'. In cases where the 'one-to-may' search failed, the ration card number was entered and the data retrieved from the data base. The biometric was then verified on a 'one-to-one' basis.

The results showed that the matching percentage of 'one-to-many' was very low and the quality of biometrics was not adequate for use in de-duplication of ration cards. The matching percentage ranged from 81 to 36 per cent. Though one-to-one match percentage was better, it was found to be of no use in de-duplication. The draft report of the company was under the consideration of the Department / Government (January 2012).

Thus, computerization by the partner in a totally uncontrolled environment led to creation of a database full of defects and the pictorial and biometric data collected at a cost of Rs.27.15 crore were not capable of de-duplication of ration cards. The project ultimately ended up as an example of highly doubtful value for money.

2.1.9 Collection of user charges

2.1.9.1 Non-remittance of user charges by the partner –

Partner did not remit the user charges collected from the public

The computerization project was to be financed through collection of Rs.65 per card as user' charges from the beneficiaries. While the Department was to collect Rs. five for every TC issued, the partner was to collect Rs.45 from each family at the time of capturing photography and biometrics and another Rs.15 at the time of issuing permanent ration cards for bar coded coupons to be supplied to the beneficiaries. The Department also authorised the partner to collect Rs. one for each grievance application received. The partner was to remit the amounts collected to the Personal Deposit (PD) account of the Commissioner and all payments to the partner were to be made out of the accumulations in the PD account. In addition, the Department authorised the partner to collect and retain Rs. five for

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each application collected at the Nemmadi centres.

The partner was to remit the user charges collected within three working days to the PD account failing which interest at 0.5 per cent per day on the unremitted amount was to be levied by the Department. A comparison of the remittances to the PD account with the progress reported by the partner showed that Rs.9.08 crore had been short-remitted to the PD account. On this being pointed out, the partner issued (April and May 2011) cheques for Rs.6.47 crore which the Department credited to the PD account. The balance amount of Rs.2.61 crore remained unremitted (October 2011). Though stipulated in the contract, the partner failed to submit daily reports to the Commissioner on the user charges collected and the various activities accomplished. As the Department failed to enforce submission of daily reports by

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the partner, it was not in a position to monitor remittance of user charges collected by the partner.

As the daily reports had not been submitted by the partner, audit could not work out the delay in remittances of the user charges from time to time and the consequent interest leviable till the stoppage of work by the partner (November 2010). For the period thereafter till July 2011, the interest payable by the partner aggregated Rs.16 crore after taking into the cheques received in April and May 2011. It was seen that the Department failed to invoke the penal provisions in the agreement for delayed remittances at any stage.

2.1.9.2 The partner collected user charges which were not authorised by Government.

Un-authorised collection of user charges.

Apart from the user charges authorised by the Government, the Commissioner approved (March 2010) user charges for various activities during the operation and support phase. These charges were

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towards issue of application (Rs.5), issue of new ration card on surrender of the old card, demographic corrections (Rs.15), member additions (Rs.50), card category change (Rs.15), deletion of family members (Rs.15), photography for members who had not turned up during the village visits (Rs.50) and issue of duplicate cards (Rs.60). It was seen that neither the agreement with the partner provided for recovery of these charges nor did the Government approve these. Scrutiny of the ration card database of five taluks provided by the Commissioner showed that the partner had collected these charges in test-checked taluks even before completing the set-up phase. The partner neither submitted the details of such fees collected nor remitted these amounts to the PD account. Audit could not assess the fees unauthorisedly collected by the partner as the complete database had not been made available for audit scrutiny.

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2.1.9.3 The departmental officials misappropriated the user charges collected.

Misappropriation of user charges

The departmental officials, entrusted with the task of collecting Rs.five for every TC distributed failed to remit in full to the PD account the amounts collected. It was seen that against Rs.7.98 crore collected by the departmental officials during August 2006 to November 2006, the amounts remitted to PD account aggregated only Rs.7.49 crore, resulting in a short remittance of Rs.0.49 crore. The Department failed to take action against the officials responsible for misappropriation of funds even as of July 2011.

2.1.10 Irregular payments

2.1.10.1 Release of payments to the partner disregarding the provisions in the agreement.

Performance was not assessed before payment

As per the agreement, payments to the partner were to be regulated based on the level of service delivered by the partner. The level of service to be met by the

partner and the penalty for deficiency in service etc. had been specified in the SLA. At the time of submission of invoices for payments, the partner was to provide detailed supporting documents evidencing SLA compliance and also to host on the departmental web site information regarding SLA compliance, from which service level performance point was to be computed. The partner was also to provide a mobile browser-accessible website for collection of SLA performance statistics from the field.

As the Department did not have the requisite technical competence, it appointed (November 2005) a consultant for assisting in the project implementation. The consultancy was for a period of 16 months ending March 2007, whereafter the contract was not renewed. The reasons for not renewing the consultancy contract or appointing a fresh consultant after March 2007 were

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not forthcoming. The partner provided supporting documents for computation of service level metrics for the invoices submitted till March 2007. Against the claim of Rs.7.71 crore made by the partner, an amount of Rs.1.14 crore was disallowed on the basis of SLA metrics computed by the consultant. Thereafter, the partner did not provide supporting documents showing evidence of SLA compliance. The web-based system for uploading the SLA metrics had also not been set up. Although the partner did not furnish any information regarding SLA compliance, the Commissioner paid an amount of Rs.47.66 crore to the partner without performance level metrics computation in violation of the agreement.

2.1.10.2 Non-imposition of penalty for erroneous BPL cards

Partner was not penalized

The agreement prescribed a penalty of Rs.10,000, per error in the category of beneficiaries attributable to the partner.

for defective cards

As pr the report sent (October 2010) by DD, Ramanagara District, the partner had issued 14,436 permanent ration cards in BPL category, although he had identified these families in four taluks as belonging to APL category and instructed the partner to issue only APL cards. Despite the advice, the partner issued permanent BPL ration cards to these 14,436 families. As the DD failed to bring this lapse to the notice of the Commissioner, penalty of Rs.14.44 crore for error in the category of cards attributable solely to the partner had not been recovered.

2.1.10.3 Non-recovery of income tax at the prescribed rates

Income tax was not recovered from bills

As per Section 1941 of the Income Tax Act, any payment made with regard to services rendered for professional or technical services would attract TDS at 10 per cent along with surcharge, education cess and secondary and higher education cess as applicable (the rate was

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5.66 per cent for the financial year 2006-07 and 11.33 per cent from financial year 2007-08). The Commissioner failed to deduct TDS of Rs.71.05 lakh from the bills of the partner. However, the Department agreed (April 2011) to recover it from the partner.

2.1.11 Monitoring

2.1.11.1 State level monitoring cell was not set up.

Monitoring cell not set up

As per the agreement, a State level monitoring cell, which would act as a single point of contact for all issues, was to be set up for thepr9oject. The monitoring cell was to be set up by a cross-functional project management team and the required equipment was to be installed. Within one week of award of contact, a portal was needed to be set up by the partner that would start providing online status of various activities in progress at all implementation locations. The partner was to provide fivc

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computers at various key food offices to access and update information on this portal for effective communication between the partner and the Department. The monitoring cell was to have sufficient storage facility to act as an offsite backup for the data generated during ration card issue. It was seen that no monitoring cell had been set up as envisaged in the agreement.

2.1.11.2 Project Management Committee did not meet as prescribed

PMC failed to meet at prescribed interval

The Project Management Committee (PMC) under the chairmanship of Secretary was to meet every month for considering the monthly performance reports, change control notes etc. The PMC met only seven times during the period May 2006 to September 2009 and did not meet thereafter. The Secretary stated (August 2011) that the PMC did not meet after April 2010 as steps had been initiated to contain the damage and payment to the partner was stopped in

April 2010. Though the downslide had been arrested since April 2010, PMC's failure to meet at the prescribed interval till April 2010, the PMC rendered the project management ineffective.

2.1.11.3 The partner did not submit the reports' prescribed.

Department failed to obtain reports from the partner.

The partner was to submit to the Commissioner daily and monthly reports of all work done besides developing a web-based project monitoring tool to enable the Department to monitor the progress of work at the taluk level. However, the partner failed to submit daily and monthly reports and did not put in place the web-based monitoring tool. The Department did not obtain from the partner reports relating to even major project components like beneficiary database creation, ration card issue, infrastructure creation etc., and thus, lacked necessary inputs to monitor the implementation of the project.

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2.1.12 Conclusion

This is an example of highly doubtful value for money in a crucial area of governance. The Department wasted Rs.54.53 crore through its failure to enforce the agreed terms of implementation during the project's lifetime. The Department rushed through the project initiation, ended up with an ill-equipped partner, under-appreciated the project's complexity and risk and mismanaged the partner's performance and delivery. The key aims of creating an effective public distribution management system remained undelivered. The Department limited the downslide and undertook a cleansing process by tying up with the NIC but the successful delivery of this initiative continued to remain a serious concern as elimination of ineligible families and coverage of all eligible families under this process was not fully guaranteed.

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All PPP models aim at providing improved public services by sharing risks in a balanced manner. Any PPP arrangement should, therefore, yield value for money and protect public interests adequately. The PPP arrangement for computerization was heavily loaded in favour of the partner who was not required to bring in finance for the project and share most of the risks associated with the implementation of the project. As the project was financed fully from moneys collected from public, the partner ought to have provided value for the money paid by the public.

As there were chronic delays in issue of permanent ration cards, the Department and partner failed to deliver the expected services to the public even after collecting the charges well in advance. As of December 2010, 58.57 lakh families who had been subject to photography and biometric capture had not received permanent ration cards even after having

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remitted Rs.26.36 crore for the purpose. Similarly, 68.59 lakh families who had paid Rs.10.29 crore for bar coded coupons were yet to receive the assured services. It was seen that though the Department dropped the idea of issuing bar coded coupon, as it was not a feasible option, it continued to collect Rs.15 per family at the time of issuing permanent ration cards. Thus, various lapses of the Department / partner defeated the very objective of providing improved services to the public and protecting their interests adequately.

2.1.13 Recommendations

- There is a compelling need to fix responsibility for various lapses in the project formulation, contract award and implementation of the project which caused huge loss to the State exchequer in the form of subsidy given to ineligible families besides

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frittering away Rs.54.53 crore out of the resources collected from the public and bringing the process of issue, modification and deletion of ration cards in the State to halt since November, 2010.

- The rectification of the mistakes in the database needs to be taken up on a war footing so as to remove the errors and improve the targeting of benefits to the citizens by eliminating ineligible ration cards and ensuring ration cards to the eligible families.

/True typed copy/

Annexure P-15

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No.F.12013/13/2011/RTI-UIDAI
Government of India
Planning Commission
Unique Identification Authority of India

2nd Floor, Tower-I, Jeevan Bharati Building
Connaught Circus, New Delhi-110001

Dated 21st July, 2011

ORDER NO. Appeal/3/2011

Name of the Appellant:	Sh. Veeresh Malik
Address of the Appellant :	D-61, Defence Colony, New Delhi-110024.
Date of receipt of Application by CPIO:	15.03.2011
Interim Reply	18/3/11, 21/4/11
Date of Order of the CPIO:	25.05.2011

Sub: **Order of First Appeal U/s. 19 Under RTI Act, 2005.**

The appellant, vide his letter dated 02.06.2011 has raised the following Grounds of Appeal :

Ground of Appeal :

a) The reply of CPIO vide letter dated 25th of May, 2011 was found to be incomplete and casual in nature. In addition, learned CPIO has not provided information specifically as requested vide full name, address and websites of the

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foreign companies which are of US and non-US origin or control.

2. In the first appeal, the appellant has sought the following relief:

> "That the learned CPIO was kind enough vide his response dated 25th of May, 2011 to provide information, but same was found to be incomplete, and casual in nature. In addition, learned CPIO has not provided information specifically as requested vide full name, address and websites of the foreign companies which are of US and non-US origin or control. Due diligence is requested to be exercised here in response, since many companies which claim to be American are actually registered in tax havens abroad, for example:- Google. It is therefore requested that suitable care be taken when providing me with this response."

3. After careful consideration of facts and material on records, the order of the CPIO and the facts and Grounds of Appeal, the appeal is disposed off as under:

3.1 As regards Grounds (a) to (d) are concerned there is no disputes as information required has been provided to

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and has been duly acknowledged by the Appellant. However, with the CPIO's reply some other information collected from our different divisions have been added in this order (appeal). The following 3 Biometric Service Providers (BSPs) to UIDAI are added herewith.

i) Sathyam Computer Services/Sagem Morpho

ii) LI Identity Solutions

iii) Accenture Services.

3.2 The above organizations responded to this organization's Expressions of Interest (EO) and submitted their tenders for accepting the projects on the basis of fulfilling the following clauses:

a) The prime respondent should have an office in India in the form of a Registered Office.

b) If the Prime respondent does not have a registered office in India, then it should have a Branch Office, Representative Office, Sales Office, or an office of its subsidiary company in India for the purpose of submission of the expressions of interest response.

c) If the prime respondent is unable to meet the stated conditions, it shall submit a declaration / confirmation, stating that it shall have

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Registered Office in India for the purposes of signing of contracts with the UIDAI.

3.3 There are no means to verify whether the said companies / organizations are of US origin or not. As per our contractual terms & conditions, only the companies / organizations those who are registered in India can bid. Any further information in this regard can be obtained from the UIDAI public domain www.uidai.gov.in.

4. In view of this, the information sought for by the applicant in his RTI First Appeal stands disposed off. In case Appellant wants to appeal against the appellate authority reply, he may file 2nd appeal to Central Information Commission within 90 days.

Sd/-
(Davinder Kumar)
Deputy Director General & Appellate Authority
Tele:011-23752755

To,

Shri Veeresh Malik
D-61, Defence Colony,
New Delhi-110 024.

Copy to : CPIO (Shri Ashish Kumar, ADG), UIDAI, New Delhi

/True typed copy/

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ANNEXURE P-16

FORTY-SECOND REPORT

STANDING COMMITTEE ON FINANCE

(2011-2012)

(FIFTEENTH LOK SABHA)

Ministry of Planning

THE NATIONAL IDENTIFICATION AUTHORITY OF INDIA BILL, 2010

Presented to Lok Sabha on 13 December, 2011

Laid in Rajya Sabha on 13 December, 2011

सत्यमेव जयते

Lok Sabha Secretariat

New Delhi

December, 2011/Agrahayana, 1933 (Saka)

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APPENDICES

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COMPOSITION OF STANDING COMMITTEE ON FINANCE – 2011-2012

Shri Yashwant Sinha – Chairman

MEMBERS

LOK SABHA

2. Shri Shivkumar Udasi Chanabasappa
3. Shri Jayant Chaudhary
4. Shri Harishchandra Deoram Chavan
5. Shri Bhakta Charan Das
6. Shri Gurudas Dasgupta
7. Shri Nishikant Dubey
8. Shri Chandrakant Khaire
9. Shri Bhartruhari Mahtab
10. Shri Anjan Kumar Yadav M.
11. Shri Prem Das Rai
12. Dr. Kavuru Sambasiva Rao
13. Shri Rayapati S. Rao
14. Shri Magunta Sreenivasulu Reddy
15. Shri Sarvey Sathyanarayana
16. Shri G.M. Siddeswara
17. Shri N. Dharam Singh
18. Shri Yashvir Singh
19. Shri Manicka Tagore
20. Shri R. Thamaraiselvan
21. Dr. M. Thambidurai

RAJYA SABHA

22. Shri S.S. Ahluwalia
23. Shri Raashid Alvi
24. Shri Vijay Jawaharlal Darda
25. Shri Piyush Goyal
26. Shri Moinul Hassan
27. Shri Satish Chandra Misra
28. Shri Mahendra Mohan
29. Dr. Mahendra Prasad
30. Dr. K.V.P. Ramachandra Rao
31. Shri Yogendra P. Trivedi

SECRETARIAT

1.	Shri A.K. Singh	- Joint Secretary
2.	Shri R.K. Jain	- Director
3.	Shri Ramkumar Suryanarayanan	- Deputy Secretary

Cont-

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INTRODUCTION

I, the Chairman of the Standing Committee on Finance, having been authorized by the Committee, present this Forty-Second Report on —The National Identification Authority of India Bill, 2010.

2. The National Identification Authority of India Bill, 2010 introduced in Rajya Sabha on 3 December, 2010 was referred to thle Committee on 10 December, 2010 for examination and report thereon, by the Speaker, Lok Sabha under Rule 331E of the Rules of Procedure and Conduct of Business in Lok Sabha.

3. The Committee obtained background note, detailed note and written information on various provisions contained in the aforesaid Bill from the Ministry of Planning.

4. Written suggestions/views/memoranda on the provisions of the Bill were received from various institutions/experts/individuals.

5. The Committee took briefing/oral evidence of the representatives of the Ministry of Planning and the

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Unique Identification Authority of India (UIDAI) at their sitting held on 11 February, 2011.

6. At the sitting held on 29 June, 2011, the Committee heard the views of the representatives of (i) the National Human Rights Commission (NHRC), and (ii) the Indian Banks Association (IBA), and Dr. Reetika Khera, Visitor, Delhi School of Economics, New Delhi. The Committee also heard the views of the representatives of the Confederation of Indian Industry (CII), and experts namely, Dr. Usha Ramanathan, Independent Law Researcher, New Delhi, Dr. R. Ramakumar, Associate Professor, the Tata Institute of Social Sciences, Mumbai and Shri Gopal Krishna, Member, Citizen Forum for Liberties, New Delhi at the sitting held on 29 July, 2011.

7. The Committee, at their sitting held on 8 December, 2011 considered and adopted this Report.

8. The Committee wish to express their thanks to the officials of the Ministry of Planning and the Unique Identification Authority of India (UIDAI) for furnishing the requisite material and information which were desired in connection with the examination of the Bill. The Committee would also thank all the

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institutions and experts for their valuable suggestions on the Bill.

9. For facility of reference, the observations/recommendations of the Committee have been printed in thick type in the body of the Report.

New Delhi:
9 December, 2011
20 Aghrayana, 1933(Saka)

YASHWANT SINHA,
Chairman,
Standing Committee
on Finance

Cont ...

REPORT

PART - I

A. Introduction

1. With a view to ensure that the benefits of centrally sponsored schemes reaches to right person and not misused, the Central Government had decided to issue unique identification numbers to all residents in India and to certain other persons. The scheme of unique identification involves collection of demographic and biometric information from individuals for the purpose of issuing of unique identification numbers to such individuals. The Central Government, for the purpose of issuing unique identification numbers, constituted the Unique Identification Authority of India (UIDAI) on 28th January, 2009, being executive in nature, which is at present functioning under the Planning Commission.

2. It has been observed and assessed by the Government that the issue of unique identification numbers may involve certain issues, such as (a) security and confidentiality of information, imposition of obligation of disclosure of information so collected in certain cases, (b) impersonation by certain

individuals at the time of enrolment for issue of unique identification numbers, (c) unauthorised access to the Central Identities Data Repository (CIDR), (d) manipulation of biometric information, (e) investigation of certain acts constituting offence, and (f) unauthorised disclosure of the information collected for the purpose of issue of unique identification numbers, which should be addressed by law and attract penalties.

3. In view of the foregoing paragraph, the Government has felt it necessary to make the said Authority as a statutory authority for carrying out the functions of issuing unique identification numbers to the residents in India and to certain other persons in an effective manner. It is, therefore, proposed to enact the National Identification Authority of India Bill, 2010 to provide for the establishment of the National Identification Authority of India (NIDAI) for the purpose of issuing identification numbers (which has been referred to as aadhaar number) to individuals residing in India and to certain other classes of individuals and manner of authentication of such individuals to facilitate access 8 to benefits and

services to which they are entitled and for matters connected therewith or incidental thereto.

B. Objectives and Salient Features of the Bill

4. The National Identification Authority of India Bill, 2010, introduced in Rajya Sabha on 3rd December, 2010, inter alia, seeks to provide—

(a) for issue of aadhaar numbers to every resident by the Authority on providing his demographic and biometric information to it in such manner as may be specified by regulations;

(b) for authentication of the aadhaar number of an aadhaar number holder in relation to his demographic and biometric information subject to such conditions and on payment of such fees as may be specified by regulations;

(c) for establishment of the National Identification Authority of India consisting of a Chairperson and two part-time Members;

(d) that the Authority to exercise powers and discharge functions which, inter alia, include—

(i) specifying the demographic and biometric information for enrolment for an aadhaar

number and the processes for collection and verification thereof;

(ii) Collecting demographic and biometric information from any individual seeking an aadhaar number in such manner as may be specified by regulations;

(iii) Maintaining and updating the information of individuals in the CIDR in such manner as may be specified by regulations;

(iv) Specify the usage and applicability of the aadhaar number for delivery of various benefits and services as may be provided by regulations;

(e) That the Authority shall not require any individual to give information pertaining to his race, religion, caste, tribe, ethnicity, language, income or health;

(f) That the Authority may engage one or more entities to establish and maintain the CIDR and to perform any other functions as may be specified by regulations;

(g) For constitution of the Identity Review Committee consisting of three members (one of whom shall be the chairperson) to ascertain

the extent and pattern of usage of the aadhaar numbers across the country and prepare a report annually in relation to the extent and pattern of usage 9 of the aadhaar numbers along with its recommendations thereon and submit the same to the Central Government;

(h) That the Authority shall take measures (including security safeguards) to ensure that the information in the possession or control of the Authority (including information stored in the CIDR) is secured and protected against any loss or unauthorized access or use or unauthorized disclosure thereof; and

(i) for offences and penalties for contravention of the provisions of the proposed legislation.

C. Evolution of the UIDAI

5. The concept of a Unique Identification (UID) scheme was first discussed and worked upon since 2006 when administrative approval for the scheme —"Unique ID for BPL families" was given on 3rd March, 2006 by the Department of Information Technology, Ministry of Communications and Information Technology.

6. Subsequently, a Processes Committee was set up on 3rd July, 2006 to suggest processes for updation, modification, addition and deletion of data fields from the core database to be created under the said project. The Committee appreciated the need of a UID Authority to be created by an executive order under the aegis of the Planning Commission to ensure a pan-depatment and neutral identity for the Authority.

7. Thereafter, since the Registrar General of India was engaged in the creation of the National population Register (NPR) and issuance of Multi-purpose National Identity Cards to citizens of India, it was decided with the approval of the Prime Minister, to constitute an Empowered Group of Ministers (EGoM) to collate the two Schemes - The NPR under the Citizenship, Act, 1955 and the UID scheme. the EGoM was also empowered to look into the methodology and specific milestones for early and effective completion of the scheme and take a final view on these. The EGOm was constituted on 4th December 2006 and a series of meetings took place as follows :-

a) First meeting of EGoM: 22nd November, 2007 :

- Recognized the need for creating an identity related resident database regardless of whether the database is created based on a de-novo collection of individual data or is based on already existing data such as the voter list.
- Need to identify and establish institutional mechanism that will own the database and be responsible for its maintenance.

b) Second meeting of EGoM: 28th January, 2008

- The proposal to establish UID Authority under the Planning Commission was approved.

c) Third meeting of EGoM: 7th August, 2008

- Referred certain matters raised with relation to the UIDAI to a Committee of Secretaries for examination.

d) Fourth meeting of EGoM: 4th November, 2008

- It was decided to notify UIDAI as an executive authority. Decision on investing it with statutory authority would be taken up later.
- UIDAI would be anchored in the Planning Commission for five years after which a view would be taken as to where the

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UIDAI would be located within Government.

8. The UIDAI was constituted on 28th January, 2009 under the Chairmanship of Shri Nandan M. Nilekani as an attached office under the aegis of the Planning Commission. The UIDAI was inter-aila given the responsibility to lay down plan and policies to implement the UID scheme, own and operate the UID database and be responsible for its updation and maintenance on an ongoing basis. The Prime Minister_s Council of UIDAI and a Cabinet Committee on UIDAI (called CC-UIDAI) were set up on 30th July, 2009 and 22nd October, 2009 respectively for achieving the objectives of the Authority.

9. Asked why the matter of conferring statutory status to the UIDAI was deferred, the Ministry of Planning have submitted their written response as under:-

"Based on the proposal that formation of the UIDAI under the Planning Commission would ensure better coordination with different departments, it was decided that initially the UIDAI may be notified as an executive authority under the Planning Commission and the issue of investing the UIDAI with statutory authority and the reconciliation of

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such statutory role with National Registration Authority (NRA) can be considered at an appropriate time".

10. Justifying the extension of the UID scheme, which is initially intended for BPL families, to all residents and other categories of individuals, the Ministry of Planning in their written response have submitted as under:-

"The UID scheme was extended to all residents and other categories of individuals to gradually do away the de novo exercises each time for field level data collection. Simultaneously, it would also ensure that links to more and more identity based databases are created by inclusion of the UID number in their databases".

11. In this regard, Dr. R. Ramakumar, Expert, in his post-evidence reply has, among other things, added as follows:-

"it has been proven again and again that in the Indian environment, the failure to enroll with fingerprints is as high as 15% due to the prevalence of a huge population dependent on manual labour. These are essentially the poor and

marginalised sections of the society. So, while the poor do indeed need identity proofs, aadhaar is not the right way to do that"

12. The Ministry in their written reply have stated, among other things, that :-

"While there may be a number of factors contributing to the failure to enroll (like geography, age groups, occupasion etc.) and the figures quoted may not hold good in all situations, failure to enroll is a reality. For enrolment purpose, UIDAI has already built in processes to handle biometric exceptions.

D. Issuance of aadhaar numbers pending passing the Bill by Parliament

13. Justice Dr. M. Rama Jois, MP (Rajya Sabha) in his representation addressed to the Chairman, Standing Committee on Finance has inter-alia pointed out since the NIDAI Bill is pending for consideration before the Standing Committee on Finance, implementation of the provisions of the Bill, issue of aadhaar numbers and incurring expenditure from the exchequer by the Government is a clear circumvention of Parliament, and therefore, should be kept in abeyance awaiting

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debate in and decision of both Houses of Parliament.

14. On being asked about the legal basis under which the UIDAI is functioning at present, and the mechanism that the UIDAI has adopted, since its inception, to deal with any of the issues like security and confidentiality of information and other offences related to issue of the aadhaar numbers, the Ministry of Planning in a written reply have inter-alia stated that:-

> "The matter about commencement of operation of the UIDAI before a legal framework was put in place was referred to the Ministry of Law & Justice wherein opinion was sought on the issue whether in absence of a specific enabling law, would there be any constraints in collecting the data (including biometrics) and in issuing the UID numbers to residents in accordance with the mandate given to the Authority. The Ministry of Law & Justice, after examining the matter, had mentioned that it is a settled position that powers of the Executive are co-extensive with the legislative power of the Government and that the Government is

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not debarred from exercising its executive power in the areas which are not regulated by specific legislation. It had also been opined that till the time such legislation is framed the Authority can continue to function under the executive order issued by the Government and the scheme that may be prepared by the UIDAI. It was also opined that the Authority can collect information/data for implementation of the UID scheme. Such implementation can be done by giving wide publicity to the scheme and persuading the agencies/individual to part with necessary information.

The UIDAI has not faced issues such as breach of security and confidentiality, manipulation of biometrics, unauthorized access to the CIDR or other related offences since its inception till the time Parliament passes the Bill, these matters will be covered by the relevant laws.

15. The opinion of the Attorney-General of India on the above mentioned issues as obtained by the Ministry of Law & Justice (Department of Legal Affairs) is furnished below:-

"The competence of the Executive is not limited to take steps to implement the law proposed to be passed by Parliament. Executive Power operates independently. The Executive is not implementing the provisions of the Bill. The Authority presently functioning under the Executive Notification dated 28th January, 2009 is doing so under valid authority and there is nothing in law or otherwise which prevents the Authority from functioning under the Executive Authorisation.

The power of Executive is clear and there is no question of circumventing Parliament or the Executive becoming a substitute of Parliament. On the contrary, what is sought to be done is to achieve a seamless transition of the authority from an Executive Authority into a statutory authority.

All the expenditure which is being incurred is sanctioned by Parliament in accordance with the financial procedure set forth in the Constitution. If the Bill is not passed by any reason and if Parliament is of the view that the

Authority should not function and express its will to that effect, the exercise would have to be discontinued. This contingency does not arise.

The present Bill being implemented without Parliaments' approval does not set a bad precedent in the Parliamentary form of Government. On the contrary, the fact that the Authority is sought to be converted from an Executive Authority to a statutory authority, it underlines the supremacy of Parliament".

16. On this issue, Dr. Usha Ramanathan, Expert, in her post-evidence reply has inter-alia stated that:-

> "Article 73 of the Constitution delineates the extent of executive power of the Union and describes it as extending to matters with respect to which Parliament has power to make laws.
>
> While the executive power of the Union, and of the States, is co-extensive with the legislative power of the Union and the States, this is a provision that sets out the limits of

the power. These are not provisions that are meant to make Parliament, or the legislatures, redundant. While executive power cannot extend beyond the legislative power of the Union and the States, Parliament and the legislatures can, and routinely do, set out the terms on which the executive is to function. This is also how 'delegated legislation' or 'subordinate legislation' has to be within the extent of the 'parent statute'.

It is a plain misconception to think that the executive can do what it pleases, including in relation to infringing constitutional rights and protections for the reason that Parliament and legislatures have the power to make law on the subject"

E. UID scheme

17. A resident who seeks to obtain an aadhaar number shall provide his/her demographic and biometric information to enrolling agencies appointed by Registrars. A resident who does not possess any documentary proof of identity or proof

of address can obtain an aadhaar number by being introduced by an introducer.

18. The UIDAI has executed Memoranda of Understanding (MoU) with the partners including all the States and Union Territories, 25 financial institutions (including LIC) to act as Registrars for implementing the scheme. The roles and responsibilities of the partners flow from the MoU.

19. The UIDAI requires only basic identity data such as name, age, gender, address and relationship details in case of minors, for issue of unique identity number. This is commonly known as "Know your Resident (KYR). The partner registrars are using this resident interface as an opportunity to update their own selected data bases such as ration card number, MGNREGS job card number, PAN card etc. This is commonly known as _Know your Resident Plus' (KYR+). Collection of these information is purely an initiative of respective Registrars and not mandatory for issue of aadhaar number.

20. The UIDAI is collecting bare minimum demographic information from the residents; any other kind of

information, viz., rural, semi-urban and urban areas, persons with disabilities, migrant unskilled and unorganized workers, nomadic tribes and others who do not have any permanent dwelling house, is not available with UIDAI. Asked how the coverage of marginalized sections of population, without having the data of aadhaar numbers issued to them, could be achieved, the Ministry has submitted that the Authority proposes to cover the marginalized and poor sections of the population through special enrolment camps organized for them.

21. In a news item dated 6th September, 2011, it has been reported that the Ministry of Home Affairs have identified flaws in the enrolment process followed by the UIDAI, citing cases where people have got aadhaar numbers on the basis of false affidavits.

22. Further, an expert has brought to the notice of the Standing Committee on Finance that issues of liability and responsibility for maintaining accuracy of data on the Register, conducting identity checks and ensuring the integrity of the overall operation of the UID scheme have not been

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resolved. On being asked to comment on this, the Ministry of Planning have submitted a written reply as follows:-

> "Registrars have to put processes in place to ensure that the data collected is accurate. It is also the responsibility of the Registrars to appoint verifiers (for verifying the documents presented by the resident) and introducers to handle cases where the residents do not have any documents".

23. It has been reported in a news item that the Ministry of Home Affairs have alleged that some of the registrars have not adhered to the laid down

procedures under UIDAI. It has also been noticed that the Government of Kerala vide G.O.(MS)No:16/2011/ITD dated 3rd June, 2011 has inter-alia stated that the MoU was signed between UIDAI and Government of Kerala for implemenation of the UID project subject to condition that the clauses on the standards, protocol, criteria etc. in the MoU shall be in accordance with the State IT policy.

F. Global Experience

24. It has been brought to the notice of the Standing Committee on Finance that on the basis of the findings of London School of Economics (LSE) report, the Government of United Kingdom has abandoned its ID project (repealed its Identity Cards Act, 2006) citing a range of reasons, which includes high cost, unsafe, untested and unreliable technology, and the changing relationship between the state and the citizen etc.

To a specific issue of relevance of any of the above mentioned factors in the Indian context, it has been informed by the Ministry as follows:-

> "There are significant differences between the UK's ID card project and the UID project and to equate the two would not be appropriate. The differences are as follows:-
>
> a) The UK system involved issuing a card which stored the information of the individual including their biometrics on the card. UID scheme involves issuing a number. No card containing the biometric information is being issued. UK already has the National insurance number which is used often as

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a means to verify the identity of the individual.

b) The statutory framework envisaged made it mandatory to have the UK ID card. Aadhaar number is not mandatory.

c) The data fields were large and required the individual to provide accurate information of all other ID numbers such as driver_s license, national insurance number and other such details thereby linking the UK ID card database to all other databases on which the individual was registered. UID Scheme collects limited information and the database is not linked to other databases.

d) In UK, the legislative framework and structure approached it from a security perspective. The context and need in India is different. The UID scheme is envisaged as a mean to enhance the delivery of welfare benefits and services".

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25. When asked as to whether any analysis has been carried out on the experience of countries where National IDs are in use as well as countries where it has been discontinued, the Ministry have inter-alia informed the Committee in a written reply as follows:-

> "In some countries the use of smart cards to store significant data about the resident added to concerns about ID fraud and duplication.
>
> The comparisons between developed countries, which are looking at additional ID forms from a security perspective, versus India, a developing country which, like Brazil and Mexico, is attempting to, build the basic identity and verification infrastructure essential to delivering welfare benefits, and promoting inclusive growth, is not a reasonable one".

G. Existing identity forms vs need for aadhaar number

26. A view has been expressed that adding another form of identity (i.e. aadhaar number) without

studying the possibility of using the existing forms of identity, for example, Voter ID card, to solve the current problems appears to be a waste of resources.

27. The Ministry of Planning in a written submission have inter-alia stated the following:-

> "In the current framework there is no single document which is uniformly acceptable as proof of identity across India – irrespective of age, gender and familial connections. Establishing identity is a challenge for the poor, particularly when they move from place to place as a consequence lack of proof of identity makes it difficult for the poor to access benefits and services.
>
> "Aadhaar number is an enabler. The benefits of aadhaar number are:-
>
> "For residents: The aadhaar number will become the single source of identity verification. Once residents enroll, they can use the number multiple times – they would be spared the hassle of repeatedly providing

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supporting identity documents each time they wish to access services such as obtaining a bank account, passport, driving license, and so on the number will also give migrants mobility of identity.

For Registrars and enrollers: The UIDAI will only enroll residents after de-duplicating records. This will help Registrars clean out duplicates from their databases, enabling significant efficiencies and cost savings. For Registrars focused on cost, the UIDAI_s verification processes will ensure lower Know Your Resident (KYR) costs. For Registrars focused on social goals, a reliable identification number will enable them to broaden their reach into groups that till now, have been difficult to authenticate. The strong authentication that the aadhaar number offers will improve services, leading to better resident satisfaction.

For Governments: Eliminating duplication under various schemes is expected to save the Government exchequer a substantial

amount. It will also provide Governments with accurate data on residents, enable direct benefit programs, and allow Government departments to coordinate investments and share information".

28. The Ministry have further added that:

"Reason for starting the project is not for overriding existing Ids.....All the above documents are relevant to a domain and for a service. Aadhaar number is to be used as a general proof of identity and proof of address".

H. Identity and Eligibility

29. According to a news item dated 7th July, 2011, the perationalisation of aadhaar, the unique identification number, will make it possible to link entitlements to targeted beneficiaries. But it will not ensure beneficiaries have been correctly identified. Thus, the old problem of proper identification that bedevils the present system will continue.

30. It has also been brought to the notice of the Standing Committee on Finance that a key issue

in targeted welfare schemes is said to be of eligibility and not identity. Government entitlements are unavailable to the poor, primarily due to the eligibility determination process having many loopholes and lacunae. One identity like aadhaar number has nothing to do with such entitlements.

31. Asked to furnish comments, the Ministry of Planning in a written reply have stated that-

> "With aadhaar number integration in various Government schemes, the identity of the beneficiary gets established, by which it is ensured that the government scheme benefits reach the intended beneficiaries. Availability of identity and eligibility information together provides an important tool to plug the loopholes in the eligibility determination process, and in managing the eligibility life cycle for a beneficiary".

32. Dr. Reetika Khera, Expert, while deposing before the Committee has inter-alia stated as follows:-

> "Exclusion is more on account of poor coverage of these schemes. Say, for instance, in the Public Distribution System, the

Planning Commission says that only x'per cent of the rural population will get the BPL cards and because of that cap that is set at the Central level, we find that lots of people are excluded".

I. Aadhaar Number and National Population Register (NPR)

33. The Standing Committee on Finance, during briefing on the Bill held on 11[Th] February, 2011, raised inter-alia the issue of possibility of dovetailing the UID exercise with the census operation. In this regard, the Ministry of Planning in their written reply have, among other things, stated as follows:-

> "The UIDAI is adopting a multiple registrar approach and the Registrar General of India (RGI) will be one of the Registrars of the UIDAI. To synergize the two exercises, an Inter Ministerial Coordination Committee has been set up to minimize duplication. The UIDAI is making all efforts to synergize with National Population Register (NPR) exercise".

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34. According to a news item dated 6th September, 2011, the Ministry of Home Affairs said that it would not be preferable to rely entirely on private sector players' for biometric enrolments into the NPR since the population register will form the basis on which citizenship would be determined in the future. Unlike the UIDAI system, the NPR system follows an elaborate procedure to verify and cover the entire population of every area; and the data collected is subjected to social vetting'; and accountability can be fixed under the NPR system.

35. In an another news article it has been reported that while registration to the NPR is compulsory and a National Identity Number is linked to each name, the Citizenship (Registration of Citizens and Issue of National Identity Cards) Rules, 2003 does not approve of linking biometrics with personal information. However, according to, the annual reports of the Ministry of Home Affairs, it said that integration of photographs and finger biometrics of 17.2 lakh out of 20.6 lakh records has been completed.

J. Coordination between the agencies involved in the UID scheme

36. In a detailed note on the NIDAI Bill, the Ministry of Planning have inter-alia submitted that:-

"Implementation of a project of this size is challenging. It involves co-ordination with multiple stakeholders and effective monitoring of implementation at every level".

37. The Ministry of Finance (Department of Expenditure), however, while commenting on embedding aadhaar numbers in databases to enable interaction have stated that:-

> "It must be done urgently by single agency, perhaps NPR. Cabinet has approved (22.7.2010) outlay of Rs. 3,023.01 crore inter-alia for assistance for Information Communication Technology (ICT) infrastructure of Rs. 450 crore for integrating/ synergizing Aadhaar numbers with existing databases. Concerned about lack of co-rdination leading to duplication effort and expenditure with at least 6 agencies collecting information (NPR, MNREGA, BPL Census, UID, RSBY and Bank Smart Cards)".

38. It has been reported in a news item dated 3rd October, 2011 that the UID project has become focus of the ire of various arms of the government for rather disparate reasons. Asked to furnish the comments on the said news item, the Ministry of Planning have submitted a written reply as follows:-

Views reported in the news item	Comments of the Ministry of Planning
1	2
The Finance Ministry rejected UIDAI's request for Rs.14,000 crore expenditure programme.	It is not correct that the Finance Ministry have rejected the budget expenditure. The proposal for phase III has been recommended by the EFC on 15 September, 2011 after optimizing the cost estimates with certain stipulations to be complied with by the UIDAI to achieve economy of scales, avoid duplication and avail convergence in the programme.
The planning commission too jumped into the fray, suddenly awakening to the deficiency in the structure and functioning of the Authority.	Aadhaar programme is a complex project of its kind launched first time in the country. EFC is an Inter-Ministerial forum to appraise the proposal

	rigorously to facilitate decision making by the Competent Authority. Planning Commission is one of the nodal apprising agencies to the EFC forum. On approval by Planning Commission some issues regarding design parameters, cost estimates and manner of implementation were emerged, which could not be visualized at project formulation stage. These issues have been deliberated in the EFC meeting and resolved through certain stipulations to be adhered to by UIDAI during execution of the project.
Adding to the confusion were the apparently negative comments made by the Ministry of Home Affairs(MHA) on the flaws in the enrolment process and the security of the biometric data. The Home Ministry's apparently nervous of the UIDAI's efforts to extend its	While responding to the EFC memo of the UIDAI, the RGI (MHA) have bserved as follows:- A security audit of the entire process of UIDAI including enrolment process in UIDAI, the enrolment software, data storage, data management, etc. should be

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aadhaar enrolment mandate, as the office of the Registrar General of India, an arm of the Ministry, is simultaneously compiling a National Population Register (NPR) which is a comprehensive identity database, as a part of the 2011 census operations currently under way.	conducted by an appropriate agency. The Comments of the UIDAI on this are:- UIDAI is developing a monitoring and evaluation framework to provide a comprehensive mechanism for continuously monitoring and evaluating the UIDAI program. Considering that a formal structured monitoring and evaluation framework ; will form the cornerstone for measuring the outcome of UIDAI programme, a distinct component Monitoring and evaluation' has been included in the current EFC proposal. Some of the audits planned on a periodic basis are:- (i) Enrolment Client Audit; (ii) Enrolment Process (Field) Audits; (iii) ASDMSA Application Audits; (iv) authentication User Agency Audits; (v) Data Center Audits; (vi) Security Audits; (vii) Impact Assessment (Grants in Aid for Research); and (viii) Other

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	Third Party Audit Services.
The confusion about the turf of UIDAI and the MHA is rather surprising, given the fact that an EGoM was constituted as early as 2006 to collate the two schemes, namely the NPR and the unique identification number, as aadhaar was then known.	UIDAI has no comments to offer.
RBI made the waters murkier by first going against the Finance Ministry notification that was issued in 2010 to permit the use of Know Your Customer (KYC) norms- by limiting the use of aadhaar numbers to "small accounts". It then retracted, by allowing use of aadhaar numbers to all bank accounts without any limitations, but only after again insisting that the banks must satisfy themselves about the current address of the customer. RBI's reluctance to fully accept the aadhaar numbers for the KYC norms is surprising, given that more than a dozen	It is clarified that- (i) aadhaar is sufficient KYC for opening all bank accounts now. This includes no-frill accounts- as per Reserve Bank's circular dated January 27, 2011 – and any bank account as per September 28, 2011 circular. (ii) Banks may ask for additional proof of residence if the current residence is not the same as the address given on the aadhaar document. This procedure is consistent with bank policies applicable to all other officially valid documents

leading banks in the country are partnering with UIDAI to deliver aadhaar numbers to the citizens, and also when the aadhaar number have been accepted by the insurance companies and SEBI for meeting KYC norms.	including passport, driving license and is not specific to aadhaar.

K. Civil Liberties Perspective

39. In a detailed note on the Bill, the Ministry of Planning have stated that issues like access and misuse of personal information, surveillance, profiling, prohibiting other data bases from storing aadhaar numbers; and securing confidentiality of information which is in the registrars domain need to be addressed in larger data protection legislation. In this connection, the Ministry have been asked to comment on the view that the Bill in its current form appears to be unsafe in law as there is no law at present on privacy, and data protection, therefore, it would be appropriate to consider the Bill for legislation only after passing the legislation on privacy, and data protection so as to ensure that there

is no conflict between these laws. The Ministry in a written reply have inter-alia stated as under:-

> "UIDAI has taken appropriate steps to ensure security and protection of data under this law and has incorporated data protection principles within its policy and implementation framework.
>
> Since appropriate steps have been taken, there is no dependency on the general data protection law......when the data protection framework comes into place the Authority will follow the same since a national data protection law will apply to all agencies and institutions collecting information.
>
> Collection of information without a privacy law in place does not violate the right to privacy of the individual. There is no bar on collecting information, the only requirement to be fulfilled with respect to the protection of the privacy of an individual is that care should be taken in collection and use of information, consent of individual would be relevant,

information should be kept safe and confidential.

The proposed Privacy law should also seek to strike a balance between the legitimate demands of protecting individual liberties while recognizing the need for larger public interest to prevail in certain well defined circumstances".

40. Responding to a suggestion received from PRS Legislative Branch that the existence of a unique identifier may facilitate record linkages across separate databases, the Ministry in a written reply have submitted that issues of linking and matching of databases need to be addressed through a data protection legislation which is currently being considered by the Department of Personnel.

41. The National Human Rights Commission (NHRC), on being asked to comment on the implications of the provisions of the Bill on the individual's right to privacy, has inter alia informed the Committee in their post-evidence reply as follows:-

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> "The right of privacy presupposes that such information relating to an individual which he would not like to share with others will not be disclosed. It may be mentioned that the right of privacy is not an absolute right".

42. On the same issue, Dr. Usha Ramanathan, expert, in her post-evidence reply has stated that:-

> "The right to dignity, the right to privacy, personal security and safety, the protection against surveillance, are constitutionally protected. The production of a number accompanied by the use of methods such as fingerprinting and iris scanning is even more invasive than is permitted to be applied to alleged offenders. Article 20 (3) provides protection against compulsory extraction of personal information. Denying services, and rights, to persons because they are unwilling to part with the information in a manner that is more than likely to result in convergence and commodification of their personal information, surveillance, profiling, tagging and tracking is compulsory

extraction that clearly reduces the constitutional rights of an ordinary citizen to less than that of an alleged offender. And that this is being done without the protection of law renders the exercise, per se, illegal. Apart from its 'uses', the potential for abuse is undeniable. In a similar context, another court – the Philippines Supreme Court – said: the data may be gathered for gainful and useful government purposes; but the existence of this vast reservoir of personal information constitutes a covert invitation to misuse, a temptation that may be too great for some of our authorities to resist".

L. Financial Implications

(i) Feasibility Study

43. The Ministry of Planning in a detailed note on the Bill have stated that aadhaar number is cost-effective compared to other alternate targeted solutions to the problems identified in delivering services and benefits such as eliminating duplicate and fake identities. The Detailed Project Report (DPR) of the UID scheme has been prepared and

submitted by M/s. Ernst & Young Pvt.Ltd. in April, 2011.

44. Asked whether any committee has been set up to study the financial implications of the UID scheme; and also to furnish the details of feasibility study carried out, if any, covering all aspects of the UID scheme such as setting up of the proposed NIDAI, and cost-benefit analysis, the Ministry in a written

reply have, among other things, submitted that:-

> "No committee has been set up to study the financial implications of the UID scheme. As per laid down guidelines/procedure the Expenditure Finance Committee (EFC) reviews project proposals and its financial implications wherein the views of all stakeholders/ministries are taken in to account
>
> "Deliberations were held with all relevant stakeholders including Planning Commission, Registrar General of India, Election Commission of India, Ministry of Rural Development, Ministry of Urban Development

and State Governments. A Proof of Concept study was undertaken in the States of Gujarat, Karnataka, U.P. and Orissa in four rural and one urban locations to establish the feasibility of linking UID with partner-databases and to validate the possibility of one-time linkage which once established would be maintained on an ongoing basis by the UIDAI. An assessment study was carried out in 10 Central Ministries and their respective departments in four states (Karnataka, Uttar Pradesh, Gujarat and West Bengal".

(ii) Estimated cost of the UID scheme

45. The UID scheme is a Central Sector Scheme. The estimated cost of the Phase-I and Phase-II of the scheme spread over five years is Rs.3170.32 crore (Rs.147.31 crore for Phase-I and Rs.3023.01 crore for Phase-II). The estimated cost includes scheme components for issue of 10 crore UID numbers by March, 2011 and recurring establishment costs for the entire scheme up to March, 2014. The Budget for Phase-III of the scheme to the tune of Rs.8861 crore has been approved.

46. According to news items, the total cost of the UID scheme may run up to Rs. 1,50,000 crore. Even after the commitment of such levels of expenditures, the uncertainty over the technological options and ultimate viability of the scheme remains.

(iii) Comparative cost of aadhaar number and existing ID documents

47. Asked to furnish the details of comparative cost of existing ID documents (per individual), namely, Voter Id card, PAN card, driving license and aadhaar number, the Ministry has inter-alia informed the Committee in a written reply that the comparative costs of the documents mentioned above are not available.

(iv) Funding of other biometric projects

48. It is noticed that a project namely, Bharatiya - Automated Finger Print Identification System (AFSI), was launched in January, 2009, being funded by the Department of Information Technology, Ministry of Communications and Information Technology, for collection of biometric information of the people of the country.

49. Asked to clarify as to whether the biometric information (finger prints) being collected under

the Bharatiya – AFSI project could also be used by the UIDAI, the Ministry have submitted that-

> "The biometrics required for the aadhaar project are iris, ten finger prints and photograph. To ensure uniqueness of the individual, it is essential that the biometrics captured are as per the specifications laid down by the Biometrics Standards Committee. The quality, nature and manner of collection of biometric data by other biometric projects may not be of the nature that can be used for the purpose of the aadhaar scheme and hence it may not be possible to use the fingerprints captured under the Bhartiya-AFSI project".

(v) Revenue model of the UIDAI

50. According to a detailed note on the bill furnished by the Ministry of Planning, demographic data and address verification will be provided free of cost till a separate pricing policy is announced in due course.

51. However, in a news item dated 6th September, 2011, it has been reported that the Ministry of

Home Affairs pointed out uncertainties in the UIDAI's revenue model.

M. Technology

52. The Biometrics Standards Committee set up by the UIDAI has recognized in its report that a fingerprints-based biometric system shall be at the core of the UIDAI's de-duplication efforts. It has further noted that it is:

> "conscious of the fact that de-duplication of the magnitude required by the UIDAI has never been implemented in the world. In the global context, a de-duplication accuracy of 99% has been achieved so far, using good quality fingerprints against a database of up to fifty million. Two factors however, raise uncertainty about the accuracy that can be achieved through fingerprints. First, retaining efficacy while scaling the database size from fifty million to a billion has not been adequately analyzed. Second, fingerprint quality, the most important variable for determining de-duplication accuracy, has not been studied in depth in the Indian context".

53. Asked to explain the reliability of technical architecture of the UID scheme, the Ministry of Planning in a detailed note on the NIDAI Bill have, among other things, stated as follows:-

> "The UID project is a complex technology project. Nowhere in the world has such a large biometric database of a billion people being maintained. The frontiers of technology in biometrics are being tested and used in the project.
>
> The technical architecture of the UID scheme is at this point, is based on high-level assumptions. The architecture has been structured to ensure clear data verification, authentication and de-duplication, while ensuring a high level of privacy and information security.
>
> The project team is learning and adapting to the challenges and ensuring that the solutions that are being offered are the best in the world to achieve the task".

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54. Further asked as to given the high degree of assumptions on the reliability of technology adopted by the UIDAI and probability of system failures of different degrees, whether incurring huge costs on the UID scheme is prudent and affordable, the Ministry have stated in a written reply, among other things, as follows:-

> "UIDAI is cognizant of the fact that biometric matching (which is a patterns matching) by its very nature will suffer from inaccuracy. However, these inaccuracy levels are less than 1%. This cannot be a reason for not attempting to use the technology.
>
> It is well acknowledged that there will be failures in authentication for various reasons. After Proof of Concept studies on authentication, appropriate policies and processes will be developed to take care of situations where failure occurs for various reasons. The choice of using the authentication services is left to the third party service provider. Concerned agencies

will have to develop policies and procedures to handle such exceptional situations".

55. In a news article, one of the representatives of the UIDAI has admitted that the quality of fingerprints is bad because of the rough exterior of fingers caused by hardwork, and this poses a challenge for later authentication.

N. National Security vs the UID scheme

(i) Illegal residents

56. A concern over the possibility of illegal residents getting aadhaar numbers, and the safeguards in his regard has been raised by the Standing Committee on Finance during the sitting held on 11 February, 2011. In a written reply, the Ministry of Planning have stated as under:-

> "Aadhaar number is not a proof of citizenship or domicile [Clause 6 of the Bill]. It only confirms identity and that too subject to authentication [Clause 4 (3)]. This is clearly mandated in the NIDAI Bill and the communication being sent to the resident.
>
> It is the responsibility of the Registrars to enroll a resident after due verification as per

the procedure laid down by the UIDAI. If a person is not a resident as per the Bill, the Authority is being vested with the power to omit/deactivate the aadhaar number [Clause 23 (2) (g)]. Subsequent attempts to enter the system can be detected".

(ii) Involvement of Private agencies

57. On the issue of security of proposed data of UIDAI, an unstarred question (no.2989) was raised in Rajya Sabha. The Minister of State in the Ministry of Planning and Minister of State in the Ministry of Parliamentary Affairs tabled the answer to the above said question in Rajya Sabha on 22 April, 2010 as follows:-

> "National Informatics Centre (NIC) had pointed out that the issues relating to privacy and security of UID data, in case the data is not hosted in a Government data centre may be taken into consideration.
>
> UIDAI is of the opinion that the hosting of data in a private data centre does not necessarily lead to a violation of privacy or

security. Appropriate contractual arrangement shall be put in place with the data centre space provider to ensure security and privacy of the data.

At present, UIDAI does not have its own permanent facility to house its data centre. Therefore, 75 sq. ft of data centre space has been hired from M/s. ITI Ltd. for proof of concept and pilot on a rental basis".

58. The Ministry of Home Affairs, according to a news item, have questioned the security of citizens' biometric data in UIDAI's outsourced service oriented infrastructure' model.

59. To a specific query as to could outside agencies be allowed to partake in the UID scheme when doubts have been expressed on possible compromise with the interests of the national security, the Ministry of Planning in a written reply have inter alia stated that:-

"The UIDAI has followed government procurement process and engaged the appropriate agencies for the implementation

of the UID scheme....The UIDAI has also implemented a comprehensive information security policy"

60. It is, however, reported in various news articles as late as dated 26th November, 2011 that controversies between the Ministry of Home Affairs and the UIDAI over the issues such as manner and processes followed by the UIDAI, duplication of efforts between National Population Register and aadhaar, and security of data remain unresolved.

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PART – II

OBSERVATIONS/RECOMMENDATIONS

1. The Committee have carefully examined the written information furnished to them and heard the views for and against the National Identification Authority of India (NIDAI) Bill from various uarters such as the Ministry of Planning, the Unique Identification Authority of India (UIDAI), the National Human Rights Commission (NHRC) and experts. The clearance of the Ministry of Law & Justice for issuing aadhaar numbers, pending passing the Bill by Parliament, on the ground that powers of the Executive are co-extensive with the legislative power of the Government and that the Government is not debarred from exercising its Executive power in the areas which are not regulated by the legislation does not satisfy the Committee. The Committee are constrained to point out that in the instant case, since the law making is underway with the bill being pending, any executive action is as unethical and violative of Parliament " s

prerogatives as promulgation of an ordinance while one of the Houses of Parliament being in session.

2. The Committee are surprised that while the country is on one hand facing a serious problem of illegal immigrants and infiltration from across the borders, the National Identification Authority of India Bill, 2010 proposes to entitle every resident to obtain an aadhaar number, apart from entitling such other category of individuals as may be notified from time to time. This will, they apprehend, make even illegal immigrants entitled for an aadhaar number. The Committee are unable to understand the rationale of expanding the scheme to persons who are not citizens, as this entails numerous benefits proposed by the Government. The Committee have received a number of suggestions for restricting the scope of the UID scheme only to the citizens and for considering better options available with the Government by issuing Multi-Purpose National Identity Cards (MNICs) as a more acceptable alternative.

3. The Committee observe that prima facie the issue of unique identification number, which has

been referred to as "aadhaar number" to individuals residing in India and other classes of individuals under the Unique Identification (UID) Scheme is riddled with serious lacunae and concern areas which have been identified as follows:-

(a) The UID scheme has been conceptualized with no clarity of purpose and leaving many things to be sorted out during the course of its implementation; and is being implemented in a directionless way with a lot of confusion. The scheme which was initially meant for BPL families has been extended for all residents in India and to certain other persons. The Empowered Group of Ministers (EGoM), constituted for the purpose of collating the two schemes namely, the UID and National Population Register(NPR), and to look into the methodology and specifying target for effective completion of the UID scheme, failed to take concrete decision on important issues such as (a) identifying the focused purpose of the resident identity database;

(b) methodology of collection of data; (c) removing the overlapping between the UID scheme and NPR; (d) conferring of statutory authority to the UIDAI since its inception; (e) structure and functioning of the UIDAI; (f) entrusting the collection of data and issue of unique identification number and national identification number to a single authority instead of the present UIDAI and its reconciliation with National Registration Authority;

(b) The need for conferring of statutory authority to the UIDAI felt by the Government way back in November, 2008, but was deferred for more than two years for no reason. In this regard, the Ministry of Planning have informed the Committee that till the time Parliament passes the NIDAI Bill, crucial matters impinging on security and confidentiality of information will be covered by the relevant laws. The Committee are at a loss to understand as to how the UIDAI, without statutory power, could address key issues concerning their basic functioning and

initiate proceedings against the defaulters and penalize them;

(c) The collection of biometric information and its linkage with personal information of individuals without amendment to the Citizenship Act, 1955 as well as the Citizenship (Registration of Citizens and Issue of National Identity Cards) Rules, 2003, appears to be beyond the scope of subordinate legislation, which needs to be examined in detail by Parliament;

(d) Continuance of various existing forms of identity and the requirement of furnishing „other documents" for proof of address, even after issue of aadhaar number, would render the claim made by the Ministry that aadhaar number is to be used as a general proof of identity and proof of address meaningless;

(e) In addition to aadhaar numbers being issued by the UIDAI, the issuance of smart cards containing information of the individuals by the registrars is not only a

duplication but also leads to ID fraud as prevalent in some countries; and

(f) The full or near full coverage of marginalized sections for issuing aadhaar numbers could not be achieved mainly owing to two reasons viz. (i) the UIDAI doesn"t have the statistical data relating to them; and (ii) estimated failure of biometrics is expected to be as high as 15% due to a large chunk of population being dependent on manual labour.

4. The Committee regret to observe that despite the presence of serious difference of opinion within the Government on the UID scheme as illustrated below, the scheme continues to be implemented in an overbearing manner without regard to legalities and other social consequences:-

(i) The Ministry of Finance (Department of Expenditure) have expressed concern that lack of coordination is leading to duplication of efforts and expenditure among at least six agencies collecting information (NPR,

MGNREGS, BPL census, UIDAI, RSBY and Bank Smart Cards);

(ii) The Ministry of Home Affairs are stated to have raised serious security concern over the efficacy of introducer system, involvement of private agencies in a large scale in the scheme which may become a threat to national security; uncertainties in the UIDAI"s revenue model;

(iii) The National Informatics Centre (NIC) have pointed out that the issues relating to privacy and security of UID data could be better handled by storing in a Government data centre;

(iv) The Ministry of Planning have expressed reservation over the merits and functioning of the UIDAI; and the necessity of collection of iris image;

(v) Involvement of several nodal appraising agencies which may work at cross-purpose; and

(vi) Several Government agencies are collecting biometric (s) information in the name of different schemes.

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5. The Committee are also unhappy to observe that the UID scheme lacks clarity on many issues such as even the basic purpose of issuing "aadhaar" number. Although the scheme claims that obtaining aadhaar number is voluntary, an apprehension is found to have developed in the minds of people that in future, services/benefits including food entitlements would be denied in case they do not have Aadhaar number.

It is also not clear as to whether possession of aadhaar number would be made mandatory in future for availing of benefits and services. Even if the aadhaar number links entitlements to targeted beneficiaries, it may not ensure that beneficiaries have been correctly identified. Thus, the present problem of proper identification would persist.

It is also not clear that the UID scheme would continue beyond the coverage of 200 million of the total population, the mandate given to the UIDAI. In case, the Government does not give further mandate, the whole exercise would become futile.

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6. Though there are significant differences between the identity system of other countries and the UID scheme, yet there are lessons from the global experience to be learnt before proceeding with the implementation of the UID scheme, which the Ministry of Planning Have ignored completely. For instance, the United Kingdom shelved its Identity Cards Project for a number of reasons, which included:- (a) huge cost involved and possible cost overruns; (b) too complex; (c) untested, unreliable and unsafe technology; (d) possibility of risk to the safety and security of citizens; and (e) requirement of high standard security measures, which would result in escalating the estimated operational costs. In this context, the Report of the London School of Economics" Report on UK"s Identity Project inter-alia states that "identity systems may create a range of new and unforeseen problems the risk of failure in the current proposals is therefore magnified to the point where the scheme should be regarded as a potential danger to the public interest and to the legal rights of individuals". As these findings are very much relevant and applicable to the UID

scheme, they should have been seriously considered.

7. The UID scheme facilitates the UIDAI and the registrars to create database of information of people of the country. Considering the huge database size and possibility of misuse of information, the Committee are of the view that enactment of national data protection law, which is at draft stage with the Ministry of Personnel, Public Grievances and Pensions, is a pre-requisite for any law that deals with large scale collection of information from individuals and its linkages across separate databases. In the absence of data protection legislation, it would be difficult to deal with the issues like access and misuse of personal information, surveillance, profiling, linking and matching of data bases and securing confidentiality of information etc.

8. The Committee note that the Ministry of Planning have admitted that (a) no committee has been constituted to study the financial implications of the UID scheme; and (b) comparative costs of the aadhaar number and various existing ID documents are also not available. The

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Committee also note that Detailed Project Report (DPR) of the UID Scheme has been done much later in April, 2011. The Committee thus strongly disapprove of the hasty manner in which the UID scheme has been approved. Unlike many other schemes/projects, no comprehensive feasibility study, which ought to have been done before approving such an expensive scheme, has been done involving all aspects of the UID scheme including cost-benefit analysis, comparative costs of aadhaar number and various forms of existing identity, financial implications and prevention of identity theft, for example, using hologram enabled ration card to eliminate fake and duplicate beneficiaries.

9. The Committee are afraid that the scheme may end up being dependent on private agencies, despite contractual agreement made by the UIDAI with several private vendors. As a result, the beneficiaries may be forced to pay over and above the charges to be prescribed by the UIDAI for availing of benefits and services, which are now available free of cost.

10. The Committee find that the scheme is full of uncertainty in technology as the complex scheme is built up on untested, unreliable technology and several assumptions. Further, despite adverse observations by the UIDAI " s Biometrics Standards Committee on error rates of biometrics, the UIDAI is collecting the biometric information. It is also not known as to whether the proof of concept studies and assessment studies undertaken by the UIDAI have explored the possibilities of maintaining accuracy to a large level of enrolment of 1.2 billion people. Therefore, considering the possible limitations in applications of technology available now or in the near future, the Committee would believe that it is unlikely that the proposed objectives of the UID scheme could be achieved.

11. The Committee feel that entrusting the responsibility of verification of information of individuals to the registrars to ensure that only genuine residents get enrolled into the system may have far reaching consequences for national security. Given the limitation of any mechanism such as a security audit by an appropriate agency

that would be setup for verifying the information etc., it is not sure as to whether complete verification of information of all aadhaar number holders is practically feasible; and whether it would deliver the intended results without compromising national security. As the National Identity Cards to citizens of India are proposed to be issued on the basis of aadhaar numbers, the possibility of possession of aadhaar numbers by illegal residents through false affidavits / introducer system cannot be ruled out.

12. The Committee take note that the Ministry of Home Affairs have alleged that some of the registrars have not adhered to the laid down procedures under UIDAI which renders the Memoranda of Understanding (MoU) signed between the UIDAI and the registrars meaningless; and it compromises the security and confidentiality of information of aadhaar number holders. Even, according to the latest media reports, controversies between the Ministry of Home Affairs and the UIDAI over issues such as the manner and processes followed by the

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UIDAI, duplication of efforts between NPR and aadhaar, and security of data still remain unresolved.

13. In view of the afore-mentioned concerns and apprehensions about the UID scheme, particularly considering the contradictions and ambiguities within the Government on its implementation as well as implications, the Committee categorically convey their unacceptability of the National Identification Authority of India Bill, 2010 in its present form. The data already collected by the UIDAI may be transferred to the National Population Register (NPR), if the Government so chooses. The Committee would, thus, urge the Government to reconsider and review the UID scheme as also the proposals contained in the Bill in all its ramifications and bring forth a fresh legislation before Parliament.

New Delhi:
9 December, 2011
20 Aghrayana, 1933(Saka)

YASHWANT SINHA,
Chairman,
Standing Committee
on Finance

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Annexure P-17

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FIFTY THIRD REPORT

STANDING COMMITTEE ON FINANCE

(2011-2012)

(FIFTEENTH LOK SABHA)

MINISTRY OF PLANNING

DEMANDS FOR GRANTS

(2012-2013)

Presented to Lok Sabha on 24 April, 2012

Laid in Rajya Sabha on 24 April, 2012

सत्यमेव जयते

Lok Sabha Secretariat

New Delhi

April, 2012/Vaisakha, 1934 (Saka)

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ON FINANCE (2011-2012)

Shri Yashwant Sinha — Chairman

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3. Shri Jayant Chaudhary
4. Shri Harishchandra Deoram Chavan
5. Shri Bhakta Charan Das
6. Shri Gurudas Dasgupta
7. Shri Nishikant Dubey
8. Shri Chandrakant Khaire
9. Shri Bhartruhari Mahtab
10. Shri Anjan Kumar Yadav M.
11. Shri Prem Das Rai
12. Dr. Kavuru Sambasiva Rao
13. Shri Rayapati S. Rao
14. Shri Magunta Sreenivasulu Reddy
15. Shri Sarvey Sathyanarayana
16. Shri G.M. Siddeswara
17. Shri N. Dharam Singh
18. Shri Yashvir Singh
19. Shri Manicka Tagore

20. Shri R. Thamaraiselvan

21. Dr. M. Thambidurai

Rajya Sabha

22. Shri S.S. Ahluwalia*

23. Shri Raashid Alvi*

24. Shri Vijay Jawaharlal Darda

25. Shri Piyush Goyal

26. Shri Moinul Hassan*

27. Shri Satish Chandra Misra

28. Shri Mahendra Mohan*

29. Dr. Mahendra Prasad *

30. Dr. K.V.P. Ramachandra Rao

31. Shri Yogendra P. Trivedi

SECRETARIAT

1. Shri A.K. Singh	- Joint Secretary
2. Shri Ramkumar Suryanarayanan	- Deputy Secretary
3. Shri Kulmohan Singh Arora	- Under Secretary

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INTRODUCTION

I, the Chairman of the Standing Committee on Finance, having been authorized by the Committee, present this Fifty-third Report (15th Lok Sabha) on the 'Demands for Grants (2012-13)' of the Ministry of Planning.

2. The Demands for Grants (2012-13) of the Ministry of Planning were laid on the Table of the House on 27 March, 2012.

3. The Committee took oral evidence of the representatives of the Ministry of Planning on 28 March, 2012.

4. The Committee considered and adopted this Report at their sitting held on 20 April, 2012. Minutes of the sittings of the Committee are given in appendix to the Report.

5. The Committee wish to express their thanks to the representatives of the Ministry of Planning for appearing before the Committee and furnishing the material and information which the Committee desired in connection with the examination of the Demands for Grants (2012-13).

NEW DELHI
20 April, 2012
31 Chaitra, 1934 (Saka)

YASHWANT SINHA,
Chairman,
Standing Committee
on Finance.

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REPORT
PART I

I. ANALYSIS OF DEMANDS FOR GRANTS (2012-13)
Introduction

1.1 The Planning Commission came into existence as per the Government of India Resolution of 15th March, 1950. It functions as an advisory Planning body at the apex level. The main function of Planning Commission is to make an assessment of the material, capitaland human resources of the country and explore the possibilities of augmenting such of these resources as are found to be deficient in relation to the nations' requirements and to formulate a Plan for the most effective and balanced utilization of the country's resources. The Planning Commission also consults the Central ministries and the State Governments while formulating Five Year Plans and Annual Plans and also oversees their implementation.

1.2 The Ministry of Planning have presented its detailed Demands for Grants (2012-13 Demand No.74) in Lok Sabha on March 27, 2012. The Annual Plan 2012-13 outlay [Budget Estimates (BE)] of the Ministry is Rs. 2177.03 crore of which Rs. 419.03 crore is for normal activities, spread over the Central Sector Plan Schemes, and Rs. 1758.00 crore for the programmes of Unique Identification Authority of India (UIDAI).

1.3 The actual expenditure incurred in 2010-11, Budget Estimates (BE)/Revised Estimates (RE) 2011-12 and BE 2012-13 are given below:—

(Rs. in crore)

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REPORT
PART I

I. ANALYSIS OF DEMANDS FOR GRANTS (2012-13)

Introduction

1.1 The Planning Commission came into existence as per the Government of India Resolution of 15th March, 1950. It functions as an advisory Planning body at the apex level. The main function of Planning Commission is to make an assessment of the material, capitaland human resources of the country and explore the possibilities of augmenting such of these resources as are found to be deficient in relation to the nations' requirements and to formulate a Plan for the most effective and balanced utilization of the country's resources. The Planning Commission also consults the Central ministries and the State Governments while formulating Five Year Plans and Annual Plans and also oversees their implementation.

1.2 The Ministry of Planning have presented its detailed Demands for Grants (2012-13 Demand No.74) in Lok Sabha on March 27, 2012. The Annual Plan 2012-13 outlay [Budget Estimates (BE)] of the Ministry is Rs. 2177.03 crore of which Rs. 419.03 crore is for normal activities, spread over the Central Sector Plan Schemes, and Rs. 1758.00 crore for the programmes of Unique Identification Authority of India (UIDAI).

1.3 The actual expenditure incurred in 2010-11, Budget Estimates (BE)/Revised Estimates (RE) 2011-12 and BE 2012-13 are given below:—

(Rs. in Crore)

Actual 2010-11			Budget 2011-12			Revised 2011-13			budget 2012-14		
Plan	Non Plan	Total	Plan	Non Plan	Total	Plan	Non Plan	Total	Plan	Non Plan	Total
310.88	69.97	380.85	1600	76.00	1676.00	1330	76.00	1406.00	2100	77.03	2177.037

Statement showing Budget Estimates, Revised Estimates and actual expenditure for the past two years and Budget Estimates of the current financial year

Sl.No.	Major Head	Name of the scheme	2010-11			2011-12			Be 2012-13
			Be	Re	Actuals	Be	Re	Actuals	
Revenue Section (Plan)									
1.	2203	New initiative in skill. Development through PPP	10,00,00	8,41,00	5,21	8,41,00	6,81,00	16,99	8,00,00
2.	2401	National Rainfed Area Authority		8,41,00		25,00,00	22,00,00	11,48,71	35,00,00
3.	3451	office of the Adviser to P.M on Public information, infrastructor & innovations	5,00,00	3,25,00	88,65	7,00,00	10,00,00	3,43,97	24,00,00

4.	3451	Office of the Adviser to P.M. on Prime Minister's National Council on Skill Development					6,00,00	1,97,31	6,00,00
5.	3451	Modernization of Officer Systems	4,50,00	5,10,00	2,25,54	10,10,00	6,60,00	90,65	9,40,00
6.	3451	Economic Advisory Council	1,42,00	1,60,00	1,61,29	2,39,00	3,09,00	1,80,09	2,69,00
7.	3454	Unique identification Authority of India	17,19,50,00	7,45,66,00	1,72,61,32	7,50,00,00	7,50,00,00	6,21,43,16	13,00,00,00
8.	3475	Grants-in-aid to Universities, Research institution etc.	2,10,00	2,10,00	2,00,07	2,10,00	2,10,00	1,77,28	2,10,00
9.	3475	Expertise for planning process	4,40,00	3,85,00	2,09,24	5,49,61	4,49,61	2,30,75	6,30,00
10.	3475	50th Year	14,00,00	13,50,00	6,03,11				

		initiative for planning							
11.	3475	Strengtheing Evaluation capacity in Government	10,00,00	5,75,00	3,35,26	10,00,00	7,24,74	93,02	10,00,00
12.		Plan Accounting & Public finance Management system	9,88,00	9,19,00	3,72,23	9,51,00	19,01,00	13,76,01	1,30,00,00
13.		Grant-in-aid to IAMR	5,50,00	5,50,00	5,50,00	7,71,39	2,75,65	2,75,65	15,00
14.		Expert Group on low Carbon Economy	2,00,00	59,00		2,00,00	2,00,00	0.42	2,00,00
15.		Expert Group on Transport policy	3,00,00	3,00,00	2,77,44	3,00,00	1,61,00	0.65	3.00,00
16.		High Level Committee on Financing infrastructure	-	-	1,50,00	2,00,00	2,00,00		1,00,00
17	3475	Western Ghats Secretariat	–	–	–	50,00	50,00	37,71	70,00

18.	3475	Plan formulation, Appraisal and Review	–	–	–	14,00,00	13,00,00	5,05,46	11,00,00
19.	3475	Independent Evaluation Office	–	–	–	–	–	–	15,00,00

Provisional figures upto February 2012.

Sl.No.	Major Head	Name of the scheme	2010-11			2011-12			Be 2012-13
			Be	Re	Actuals	Be	Re	Actuals	
Revenue Section (Plan)									
20	3475	UNDP Assistance for Human Development towards inequalities,	–	–	–	–	–	-	4,50,00
21	5601	UNDP Assistance for Capacity Development for Distt. Planning.	13.19.00	13,19,00	5,16,00	9,17,00	9,17,00	3,22,70	13,16,00
22	3601	UPDP	2,40,00	2,40,00	1,32,18	–	–	–	–

		Assistance for support to livelihood Promotion strategies							
Revenue Section (Non-Plan)									
	3451	Department of Planning	42,00	42,00	31,38	42,00	42,00	24,48	49,00
	3451	Planning Commission	48,17,00	59,81,00	58,11,88	62,28,00	62,28,00	56,04,23	63,24,00
	3451	Programme Evaluation office	4,80,00	6,00,00	5,18,47	7,15,00	7,15,00	5,55,17	7,15,00
	3451	Department Canteen	43,00	43,00	36,03	45,00	35,73	45,00	
	3475	Manpower Research Service to Govt. etc.	5,50,00	6,00,00	6,00,00	5,70,00	5,70,00	5,70,00	5,70,00
Total (NoN-PLAN)			59,32,00	72,66,00	69,97,76	76,00,00	76,00,00	67,89,61	77,03,00
Grand Total (PLAN+NON-PLAN)			20,59,32,00	11,17,66,00	3,80,86,39	16,76,00,00	14,06,00,00	8,97,46,88	21,77,03,00

Provisional figures upto February ,2012

Actual 2010-11			Budget 2011-12			Revised 2011-13			budget 2012-13		
Plan	Non Plan	Total	Plan	Non Plan	Total	Plan	Non Plan	Total	Plan	Non Plan	Total
310.88	69.97	380.85	1500	76.00	1676.00	1330	76.00	1406.00	2100	77.03	2177.03

Statement showing Budget Estimates, Revised Estimates and actual expenditure for the past two years and Budget Estimates of the current financial year

Sl.No.	Major Head	Name of the scheme	2010-11			2011-12			Be 2012-13
			Be	Re	Actuals	Be	Re	Actuals	
Revenue Section (Plan)									
1.	2203	New initiative in skill. Development through PPP	10,00,00	8,41,00	5,21	8,41,00	6,81,00	16,99	8,00,00
2.	2401	National Rainfed Area Authority		8,41,00		25,00,00	22,00,00	11,48,71	35,00,00
3.	3451	office of the Adviser to P.M on Public information, infrastructor & innovations	5,00,00	3,25,00	88,65	7,00,00	10,00,00	3,43,97	24,00,00
4.	3451	Office of the Adviser to P.M. on Prime					6,00,00	1,97,31	6,00,00

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		Minister's National Council on Skill Development							
5.	3451	Modernization of Officer Systems	4,50,00	5,10,00	2,25,54	10,10,00	6,60,00	90,65	9,40,00
6.	3451	Economic Advisory Council	1,42,00	1,60,00	1,61,29	2,39,00	3,09,00	1,80,09	2,69,00
7.	3454	Unique identification Authority of India	17,19,50,00	7,45,66,00	1,72,61,32	7,50,00,00	7,50,00,00	6,21,43,16	13,00,00,00
8.	3475	Grants-in-aid to Universities, Research institution etc.	2,10,00	2,10,00	2,00,07	2,10,00	2,10,00	1,77,28	2,10,00
9.	3475	Expertise for planning process	4,40,00	3,85,00	2,09,24	5,49,61	4,49,61	2,30,75	6,30,00
10.	3475	50th Year initiative for planning	14,00,00	13,50,00	6,03,11				
11.	3475	Strengtheing	10,00,00	5,75,00	3,35,26	10,00,00	7,24,74	93,02	10,00,00

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		Evaluation capacity in Government							
12.		Plan Accounting & Public finance Management system	9,88,00	9,19,00	3,72,23	9,51,00	19,01,00	13,76,01	1,30,00,00
13.		Grant-in-aid to IAMR	5,50,00	5,50,00	5,50,00	7,71,39	2,75,65	2,75,65	15,00
14.		Expert Group on low Carbon Economy	2,00,00	59,00		2,00,00	2,00,00	0.42	2,00,00
15.		Expert Group on Transport policy	3,00,00	3,00,00	2,77,44	3,00,00	1,61,00	0.65	3.00,00
16.		High Level Committee on Financing infrastructure	-	-	1,50,00	2,00,00	2,00,00		1,00,00
17	3475	Western Ghats Secretariat	–	–	–	50,00	50,00	37,71	70,00
18.	3475	Plan formulation, Appraisal and	–	–	–	14,00,00	13,00,00	5,05,46	11,00,00

		Review							
19.	3475	Independent Evaluation Office	–	–	–	–	–	–	15,00,00

Provisional figures upto February 2012.

Sl.No.	Major Head	Name of the scheme	2010-11			2011-12			Be 2012-13
			Be	Re	Actuals	Be	Re	Actuals	
Revenue Section (Plan)									
20	3475	UNDP Assistance for Human Development towards inequalities,	–	–	–	–	–	-	4,50,00
21	5601	UNDP Assistance for Capacity Development for Distt. Planning.	13.19.00	13,19,00	5,16,00	9,17,00	9,1 7,0 0	3,22,70	13,16,00
22	3601	UPDP Assistance for support to livelihood	2,40,00	2,40,00	1,32,18	–	–	–	–

		Promotion strategies							
CAPITAL SECTION (PLAN)									
1	4059	Unique identification authority of India (Capital Outlay on public Works)	50,00,00	20,00,00	--	20,00,00	10,00,00	--	1,00,00
2	5475	Unique indentification authority of India	1,30,50,00	1,95,00,00	95,79,80	7,00,00,00	4,40,00,00	1,51,80,79	4,57,00,00
3	5475	Modernisation of office Systems	10,61,00	5,50,00	3,29,90	10,61,00	6,00,00	1,37,94	8,00,00
4	5475	Plan Accounting & Public finance Management System	2,00,00	1,50,00	91,38	1,00,00	5,61,00	4,98,01	50,00,00
Total Plan)			20,00,00,00	10,45,00,00	3,10,88,63	16,00,00,00	13,30,00,00	8.29.57.27	21,00,00,00
Revenue Section (Non-Plan)									

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1	3451	Department of Planning	42,00	42,00	31,38	42,00	42,00	24,48	49,00
2	3451	Planning Commission	48,17,00	59,81,00	58,11,88	62,28,00	62,28,00	56,04,23	63,24,00
3	3451	Programme Evaluation office	4,80,00	6,00,00	5,18,47	7,15,00	7,15,00	5,55,17	7,15,00
4	3451	Department Canteen	43,00	43,00	36,03	45,00	35,73	45,00	
5	3475	Manpower Research Service to Govt. etc.	5,50,00	6,00,00	6,00,00	5,70,00	5,70,00	5,70,00	5,70,00
Total (NoN-PLAN)			59,32,00	72,66,00	69,97,76	76,00,00	76,00,00	67,89,61	77,03,00
Grand Total (PLAN+NON-PLAN)			20,59,32,00	11,17,66,00	3,80,86,39	16,76,00,00	14,06,00,00	8,97,46,88	21,77,03,00

Provisional figures upto February ,2012

1.4 On being asked about the corrective measures taken to overcome the persistent shortfall in the utilisation of the Plan expenditure over the years, the Ministry of Planning in a written reply stated as follows:

> "Meeting with the Pr. Advisers/Sr. Advisers/Advisers Administering the Plan Schemes was held on 23.08.2011 to review the trend of expenditure during the First Quarter under the Chairpersonship of Member Secretary, Planning Commission and it was instructed to all concerned to ensure proportionate and proper utilization of funds under all the heads keeping in view the norms of the Department of Expenditure, Ministry of Finance and similar Meetings are proposed during the next financial year to ensure proper utilization of Plan funds throughout the year"

1.5 The Ministry of Planning further added that the instructions to avoid rush of expenditure in the last quarter of the year particularly in the month of March issued by Secretary (Expenditure)'s D.O. of even number dated 5th January, 2012 has been

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circulated along with the 4th Quarter Allocation Order to all Spending Authorities/Division for strict compliance.

II. Achievement of the 11th Five Year Plan

2.1 The Eleventh Plan (2007-12) sought to build on the gains achieved in the Tenth Plan and shift the economy to a path of faster and more inclusive growth. Inclusiveness a critical element in the strategy was to be achieved by ensuring that growth is broad based and is combined with programmes aimed at overcoming deficiencies in critical areas which affect large numbers of the vulnerable sections of population, particularly the Scheduled Castes (SC) and Scheduled Tribes (ST), the other Backward Classes (OBC), Women and the minorities.

2.2 When asked about the achievement of the stated objective of the 11th Five Year Plan, the Ministry in a written reply stated as under:

> "The economy has performed well on the growth front, averaging 8.2 per cent in the first four years. Growth in 2011-12 is likely to be 6.9 per cent. The economy is therefore, likely to achieve an average GDP growth of around

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7.9 per cent over the Eleventh Plan period, which is lower than the 9.0 per cent targeted originally, but higher than the 7.8 per cent achieved in the Tenth Plan. The acceleration in the growth in the Eleventh Plan period compared 5 with the Tenth Plan is modest, but it is nevertheless a good performance, given the fact that a severe global economic crisis depressed growth in two of these five years, and also that in the year 2009 India had the weakest monsoon in three decades. The slowdown in 2011- 12 is a matter of concern, but can be reversed if the investment climate is turned around and fiscal discipline is strengthened.

Inclusiveness

The progress towards inclusiveness is more difficult to assess, because inclusiveness is a multidimensional concept. Inclusive growth should result in lower incidence of poverty, broad-based and significant improvement in health outcomes, universal access for children to school, increased access to higher education and improved standards of education,

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including skill development. It should also be reflected in better opportunities for both wage employment and livelihood, and in improvement in provision of basic amenities like water, electricity, roads, sanitation and housing. Particular attention needs to be paid to the needs of the SC/ST and OBC population. Women and children constitute a group which accounts for 70% of the population and deserves special attention in terms of the reach of relevant schemes in many sectors. Minorities and other excluded groups also need special programmes to bring them into the mainstream. To achieve inclusiveness in all these dimensions requires multiple interventions, and success depends not only on introducing new policies and government programmes, but on institutional and attitudinal changes brought about, which take time. A comprehensive assessment of outcomes on all these fronts during the Eleventh Plan is not possible at this point, because the data for recent years is still not available. However, available evidence suggests

that there have been significant gains on many of these fronts, even though there are shortfalls in some areas on which further work is needed. An important consequence of the focus on inclusion during the Eleventh Plan has been heightened awareness about inclusiveness and empowerment amongst people. A greater desire to access information about the rights and entitlements made available by law and policy, and eagerness to demand accountability from the public delivery systems augurs well for the future."

2.3 The Sectoral growth performance of the economy during the 11th Five Year Plan is given in Table below:

Table 1: Rate of Growth of GDP at Factor Cost at 2004-2005 Prices (per cent)

	2007-08	2008-09	2009-10PE	2010-11QE	2011-12AE	11th Plan AE
Agrculture Forestry & Fishing	5.8	0.1	1.0	7.0	2.5	3.3
Mining & Quarrying	3.7	2.1	6.3	5.0	2.2	3.0
Manufacturing	10.3	4.3	9.7	7.6	3.9	7.2
Electricity, gas & water supply	8.3	4.6	6.3	3.0	8.3	6.1
Contruction	10.8	5.3	7.0	8.0	4.8	7.2
Trade hotelsk transport & Communication	12.0	12.0	9.4	10.49.1	9.1	10.6
financing insurance real estate & business services	6.9	12.5	12.0	4.5	5.9	8.4

GDP at factor cost	9.3	6.7	8.4	8.4	6.9	7.9
Notes: PE : Provisional Estimate, QE: Quick Estimate, AE: Advance Estimate.						

2.4 When asked about the reason for not achieving the budgeted growth during the 11th Five Year Plan, the Ministry further stated as under:

> "A severe global economic crisis depressed growth in two of these five years, and also that in the year 2009 India had the weakest monsoon in three decades. For the better part of the last two years of the Plan, the economy had to battle near double-digit headline inflation. The monetary and fiscal policy response during this period was geared towards taming domestic inflationary pressures. A tight monetary policy impacted investment and consumption growth. The fiscal policy had to absorb expanded outlays on subsidies and duty reductions to limit the passthrough of higher fuel prices to consumers. As a result growth moderated and the fiscal balance deteriorated."

III. 12th Five Year Plan

3.1 The Twelfth Five Year Plan launched with the budget proposals for 2012-13 address five critical issues to put the economy back on a high growth trajectory of 9 per cent. These are:

- Focus on domestic demand driven growth recovery;
- Create conditions for rapid revival of high growth in private investment;
- Address supply bottlenecks in agriculture, energy and transport sectors, particularly in coal, power, nationalhighways, railways and civil aviation;
- Intervene decisively to address the problem of malnutrition especially in the 200 high-burden districts; and
- Expedite coordinated implementation of decisions being taken to improve delivery systems, governance, and transparency; and address the problem of black money and corruption in public life.

3.2 The Ministry further stated that the Planning Commission had set up 138 Working Groups and 29 Steering Committees to look into sectoral constraints and suggest measures that could be

taken to achieve the targeted growth during the 12th Plan. All the Working Groups for the 12th Plan, barring a few, have submitted their reports. These reports of Working Groups are important inputs for the concerned Steering Committees which take their recommendations into account while finalising their report for the Planning Commission. The Steering Committees, except a few, are yet to submit their reports to the Planning Commission. Therefore, Planning Commission is not in a position to provide the details of the sector specific recommendations of Steering Committee at this stage.

3.3 During the course of oral evidence the Member Secretary, Planning Commission admitted before the Committee that after the approval of National Development Council (NDC) by June or July 2012, the shape of the 12th Plan will be visible.

3.4 When asked as to how to put the economy lack on a high growth trajectory of 9 per cent during the 12th Five Year Plan, the Ministry of Planning in a written reply stated as under:

> "The 9.0 per cent target requires a significant acceleration in growth in agriculture; in

electricity, gas and water supply; and also in manufacturing. With agriculture and services continuing to perform well, India's slowdown can be attributed almost entirely to weak industrial growth. Government of India has brought out National 8 Manufacturing Policy to redress the growth performance of manufacturing sector. The National Manufacturing Policy (NMP) targets to achieve manufacturing growth of 12-14% over the medium term so as to make it the engine for growth for the economy. NMP also lays down various initiatives that would help achieve the targeted manufacturing sector growth over medium term. While the aggregate figures for the last quarter of 2011-12 is not available yet, numerous indicators pertaining to this period suggest that the economy is now turning around. There are signs of recovery in coal, fertilisers, cement and electricity sectors. These are core sectors that have an impact on the entire economy. Indian manufacturing appears to be on the cusp of a revival."

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IV. AGRICULTURE SECTOR

4.1 The Agriculture sector occupies center-stage to promote inclusive growth, enhance rural incomes and sustain food security. An important sectoral target of the Eleventh Plan was to raise the rate of growth of GDP in agriculture to 4 per cent from 2.5 per cent in the Tenth Plan. Higher agriculture growth was expected to contribute directly to the overall GDP growth and even more so to inclusiveness.

4.2 With about half of the rural population still dependent on agriculture for their livelihood, the objective of inclusive growth cannot be realized without revitalizing Agriculture Sector. Accordingly, the Eleventh Plan places high priority to redress the issues and challenges in the agricultural sector. the agriculture sector, during 2011-12 has been allocated a GBS of Rs. 13,662 crore which is 4.07 per cent of the total GBS allocated to all Central Ministries/Departments in the AP 2011-12. During 2011-12, allocation of Department of Agriculture and cooperation is pegged at Rs. 9,262.0 crore. This is an increase of 982.0 crore over 2010-11 BE. The budgetary provision to the sector has laid focus on

Horticulture (Rs. 2,950 crore), Rashtriya Krishi Vikas Yojana (Rs. 7,810.87 crore) and Macro Management of Agriculture (Rs. 780 crore). Similarly, Department of Agricultural Research & Education has been provided a plan outlay of Rs. 2,800 crore to complete, reorient and re-engineer the technology generation processes with a view to addressing location specific requirements and to improve linkages of Krishi Vigyan Kendra (KVK) with field dissemination programmes so as to bridge the knowledge deficit in the agriculture. The outlay for the Department of Animal Husbandry & Dairying has been increased from 1,300 crore during 2010-11 to Rs. 1,600 crore 2011-12 primarily for increasing per capita availability of milk, egg, meat and fish and also for intensifying R & D efforts for breed improvement and disease control.

4.3 Regarding Gross Capital Foundation in agriculture sector, the Ministry of Planning stated as under:

"Both public as well as private investments has witnessed sharp increase in last few years. In 2003-04 GCF formed 10.2% of the Agricultural GDP which has since increased to 20.3%. Figures of

Gross Capital Formation in Agriculture Sector are presented in the following table:

Year	GOP of Agriculture, Forestry & Flashin at 2004-05 Prices	GGF in Agriculture, Forestry & Fishing at 2004-05 Prices					
		Public Sector	Private sector	Total	Public Sector	Private sector	Total
1	2	3	4	5	6	7	8
Tenth Plan							
2004-05	56542	16187	059909	76096	2.9	10.6	13.4
2005-06	594487	19940	66671	86611	3.4	11.2	14.5
2006-07	619190	22987	67723	90710	3.7	10.9	14.6
ELEVENTH PLAN							
2007-08	655080	23255	61779	105034	3.5	12.5	16.0
2008-09	655689	22628	106031	128859	3.5	16.2	19.6
2009-10	662509	23637	109740	133377	3.6	16.7	26.3
Source : Press release dated 31st Jan. 2012 and NAS 2011 of the Central Stalistcal Organisation.							

V. BACKWARD REGIONS GRANT FUND (BRGF)

5.1 The Backward Regions Grant Fund (BRGF) was approved in 2006-07 to address the causes of backwardness more holistically than the standard Government programmes. It aims to help convergence and add value to other programmes such as Bharat Nirman and Mahatma Gandhi National Rural Employment Guarantee Programme, which are explicitly designed to meet rural infrastructure needs, but may need supplementation to address critical gaps which can come from the BRGF. The BRGF seeks to bring about focused development of identified backward

districts by implementing programmes, selected through people's participation. Panchayati Raj Institutions (PRIs) at village, intermediate and district level are responsible for planning and implementation of BRGF in keeping with the letter and spirit of Article 243 G of the Constitution.

5.2 The BRGF has two components, namely, (i) Districts component covering 250 districts of 27 States, administered by the Ministry of Panchayati Raj, and (ii) Special Plans for (a) Bihar (b) KBK districts of Orissa and (c) West Bengal administered by the Planning Commission.

Districts Component:

The District Component of the BRGF covers 250 districts which includes all the 147 districts covered by the erstwhile Rashtriya Sam Vikas Yojana (RSVY), 150 districts covered by the erstwhile National Food for Work Programme (NFFWP) and the 170 districts identified as backward on the basis of soci-economic variables by the Inter Ministry Task Group (IMTG) on Redressing Growing Regional Imbalances, set up the Planning Commission in August, 2004. An allocation of Rs. 24110 crore has been made for this component during the Eleventh Five Year

Plan period. During 2011-12, this allocation has been enhanced to Rs. 5050 core from Rs. 4670.04 crore for the year 2010-11 against which an amount of Rs. 1711.72 crore has been released by Ministry of Panchayati Raj till 16.12.2011.

Special Plan:

(a) Bihar

The Special Plan for Bihar was formulated for implementation under Rashtriya Sam Vikas Yojana on 100 per cent Central Assistance basis to bring about improvement in sectors like power, road connectivity, irrigation, forestry and watershed development. Most of the projects are being implemented through Central agencies and the State Government is implementing only some of the projects through their Departments and also overseeing the implementation of all these projects. An allocation of Rs. 1000 crore per annum is being made for this component during the Eleventh Plan period. However, this allocation has been enhanced to Rs. 2000 crore for 2010-11 and Rs. 1468 crore for Annual Plan 2011-12.

(b) Special Plan for KBK Districts of Orissa

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The KBK region of Orissa comprises of the undivided Kalahandi, Bolangir and Koraput districts which have now been reorganized into eight districts, namely, Kalahandi, Nuapada, Bolangir, Sonepur, Koraput, Nabarangpur, Malkangiri and Rayagada. The Planning Commission has been providing Additional Central Assistance to this region since 1998-99. To make the planning and implementation process more effective, the State Government were advised to prepare a Special Plan for KBK region using a project based approach and innovative delivery and monitoring system. The State Government is accordingly preparing the Special Plan for the KBK districts since the year 2002-03. The Special Plan focuses on tackling the problems of drought proofing, livelihood support, connectivity, health, education etc. An allocation of Rs. 250 crore per annum was being made for this component during the Tenth Plan period. The same allocation is being protected during the Eleventh Plan period with annual allocation of Rs. 130 crore under the Districts Component of the Backward Region Grant Fund (BRGF). During the Annual Plan 2011-12, an amount of Rs. 130 crore has been allocated.

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(c) Special Plan for West Bengal

The Special Plan for West Bengal has been approved by the Government for which an amount of Rs. 8750 crore allocated as central assistance under the State Component of BRGF to address the developmental needs of the backward regions of the State, through focused projects starting from the current financial year of 2011-12. The project proposals relate to Housing & Urban Development, Power, Water Supply & Sanitation, Health, Transport and Education.

5.3 When asked as to what strategies, priorities and allocation for the 12th Five Year Plan has been suggested by the Steering Committee for Rural Livelihoods and Rural Governance for BRGF, the Ministry of Planning in a written reply stated as under:

> "The Steering Committee for Rural Livelihoods and Rural Governance has emphasized that the 12th Plan must adopt a new strategy regarding the Special Area Programmes based on the evaluations and feedback from the ground. The Steering Committee has further stated, in its Report, that while it is important for the Government to be sensitive to needs

and aspirations of regions that feel a genuine grievance about being left out of the national mainstream development process, it is also equally important to devise robust and transparent criteria for inclusion of areas under 12 the coverage of such programmes. The Steering Committee has strongly suggested that the implementation mechanism under the schemes should not in any way differ from that prescribed by the Planning Commission in its own Decentralized Planning Guidelines. The Steering Committee has suggested for continuation of various Area Programmes including BRGF with more funds during the 12th Plan Period."

VI. THE MAHATMA GANDHI NATIONAL RURAL EMPLOYMENT GUARANTEE SCHEME (MGNREGS)

6.1 The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) aims at enhancing the livelihood security of the people in rural areas by guaranteeing hundred days of wage employment in a financial year, to a rural household whose

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members volunteer to do unskilled manual work. The Act also seeks to create durable assets and strengthen the livelihood resource base of the rural poor. The choice of works suggested in the Act address causes of chronic poverty like drought, deforestation, soil erosion, so that the process of employment generation is on sustainable basis.

6.2 During the last 5 years of implementation of MGNREGS, the expenditure has always been more than 70% and therefore funds have not been underutilized. The expenditure incurred on the scheme during the last five years was Rs. 8823.35 crore in 2006-07, Rs. 15856.89 crore in 2007-08, Rs. 27250.10 crore in 2008-09, Rs. 37905.23 crore in 2009-10 and Rs. 39377.26 crore in 2010-11 respectively.

6.3 When asked as to whether the Government plans to change the format of the MGNREGS during the 12th Plan period, the Ministry of Planning in a written Note stated as under:

> "The Working Group on MGNREGA for the 12th Five Year Plan was constituted by the Planning Commission to review its performance during the 11th Five year Plan

and suggest strategies and allocations for the ensuing Five Year Plan as well as blueprint to reform aimed at improving performance of the programme in all respects. The Working Group submitted its report to the Steering Committee on Rural Livelihood and Rural Governance. The Steering Committee examined the Working Group report and made certain recommendations. In view of this, Ministry of Rural Development set up a Committee under Dr. Mihir Shah, Member, Planning Commission to examine ways in which the Operational Guidelines of MGNREGA could be revised so that the following concerns could be adequately addressed:

1. Expand the list of permissible works under MGNREGA in order to—
   - (a) Strengthen the synergy between MGNREGA and rural livelihoods, especially agriculture and allied sectors.
   - (b) Respond to the demands of the States for greater location specific flexibility in permissible works.

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(c) Help improve the ecological balance in rural India and provide a cleaner, healthier environment to its people.

2. Suggest procedural changes that would help strengthen the demand driven character of MGNREGA, which is its real differentia specifica.

3. Strengthen the participatory planning and implementation process under MGNREGA, so that the programme results in the creation of durable assets and an increase in farm productivity.

4. Make changes that would infuse the programme with greater efficiency and help overcome the major complaints under the programme such as delays in payments of wages.

5. Develop effective mechanisms for eliminating the scope of corruption under the programme.

The Mihir Shah Committee has just submitted its draft eport and same is on the website of the Ministry to seek suggestions and comments by 31.03.2012. Further, modification in the guidelines and other

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parameters of the programme is a continuous process and changes are made from time to time in consultation with the State Governments, CSO and other stakeholders."

6.4 When asked about the corrective steps taken on the irregularities noticed in the implementation of the MGNREGS, the Ministry of Planning in a written reply stated as under:

"MGNREGA is implemented by the Ministry of Rural Development. Major challenges experienced during the implementation of MGNREGA are as under:

- Lack of awareness about rights and entitlements and Workers' inability to submit written applications and demand.
- Non-maintenance of records like job cars, dated receipts, Muster Rolls.
- Non-placement of dedicated personnel affecting critical tasks like measurement.
- Delay in wage payments.
- Poor coverage of Banks and Post Offices.
- Conduct and quality of social audits.
- Slow grievance redressal.

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- Making assets more durable and productive without disturbing the 60:40 ratio through convergence.

To meet these challenges and to strengthen the implementation of Mahatma Gandhi NREGA and to ensure that more and more of the rural population is benefited, the Ministry of Rural Development has undertaken the following measures:

(i) Awareness generation among rural population has been taken up through intensive IEC activities involving both print as well as electronic media.

(ii) Administrative expenditure has been enhanced from 4% to 6% to enable the implementing agencies to appoint dedicated staff for effective implementation of the Act.

(iii) ICT based MIS has been made operational to make data available to public scrutiny. The data includes Job cards, Muster rolls, Employment demanded and allocated, number of days worked, shelf of works, Funds available/funds spent and funds released to various implementing agencies, Social Audit findings, registering grievances and generating alerts for corrective action.

(iv) In the light of the shortcomings in social audit under MGNREGA, the Ministry of Rural Development has published The MGNREG Audit of Schemes Rules, 2011 in the Gazette on 30.6.2011 for the purpose of much needed transparency under MGNREGA.

(v) Payment of wages to MGNREGA workers has been made mandatory through their accounts in Banks/Post Offices to infuse transparency in wage disbursement. An amendment to this effect has been made in para 31 of Schedule-II of the Act.

(vi) Rolling out Biometric based ICT enabled real time transactions of MGNREGA workers to eliminate fake attendance and false payments.

(vii) Periodic reviews in the Performance Review Committee meetings held on quarterly basis. State specific reviews are also undertaken.

(viii) Independent Monitoring and Verification by National Level Monitors and Eminent Citizens.

(ix) Visit by members of Central Employment Guarantee ouncil.

(x) State and District level Vigilance and Monitoring Committees have been set up and instructions have

been issued for holding regular meetings of the Committees.

(xi) Instructions have been issued directing all States to appoint Ombudsman at district level for grievance redressal in a time bound manner.

The Ministry had set up a Toll free National Helpline 1800110707 to enable the submission of complaints and queries to the Ministry for the protection of workers entitlements and rights under the Act."

VII. RESTRUCTURING OF CENTRALLY SPONSORED SCHEMES

7.1 There were 155 Centrally Sponsored Schemes (CSSs) in operation during 2006-07, being the last year of the 10th Plan. After the first phase of Zero Based Budgeting (ZBB) exercise carried out at the beginning of the 11th Plan, 82 schemes were carried forward (after weeding/merger) in to the first year of 11th Plan (i.e. 2007-08). Also, 17 new CSSs were introduced, thus, taking the total number of CSSs to 99 for operation during 2007-08. The second phase of ZBB exercise was undertaken during April-June 2007. As a result, the 99 CSSs mentioned earlier were rationalized to 90 for carry forward into 2008-09. These 90 CSSs also included 11 CSSs

which were split from 5 CSSs in operation during 2007-08. With the induction of 38 new CSSs; the total of CSSs for operation during 2008-09 had again gone up to 128. In nut shell, in spite of the policy to limit the number of CSSs, 55 new CSSs were introduced in the first two years of the 11th Plan (2007-08 and 2008-09).

7.2 At present 139 Centrally Sponsored Schemes (CSSs) with a total outlay of Rs. 157051.40 crore are being operated, out of which three schemes are being operated by the Ministry of Rural Development for directly benefiting the BPL in rural areas. The Ministry of Housing and Urban Poverty Alleviation administers one scheme, namely Swarna Jayanti Shahari Rozgar Yojana (SJSRY) for improving the condition of urban BPL.

7.3 When asked about the steps taken to or proposed to be taken to restructure and rationalize the Centrally Sponsored Scheme, the Ministry of Planning in a written note stated as under:

"The Planning Commission had set up a Sub-Committee headed by Shri B.K. Chaturvedi, Member, Planning Commission to look into the restructuring of CSS to enhance its flexibility, scale

and efficiency. The Committee has submitted the report, which is under the consideration of the government."

7.4 It may be added here that the Finance Minister in his Budget Speech 2012-13 has stated that in implementing the 12th Plan, the recommendations made by the Expert Committee to streamline and reduce the number of Centrally Sponsored Schemes would be kept in view.

VIII. ESTIMATION OF POVERTY

8.1 The Planning Commission is the nodal agency for estimating the number and proportion of people living below the poverty line at national and States level, separately for rural and urban areas, makes poverty estimates based on a large sample survey of household consumption expenditure carried out by the National Sample Survey Organisation (NSSO) after an interval of five years approximately. The methodology for estimation of poverty has been reviewed from time to time. The Planning Commission constituted an Expert Group under the Chairmanship of Prof. Suresh D. Tendulkar in December, 2005 which submitted its report in December, 2009. The Expert Group has

recommended Mixed Recall Period (MRP) equivalent of urban Poverty Line Basket (PLB) corresponding to then existing urban headcount ratio of 25.7 percent as the new reference PLB. The Committee has recommended that the rural poverty line should be recomputed to reflect money value in rural areas of the same PLB that is recommended as the new reference PLB for urban areas. The recomputed poverty estimates for the years 1993-94 and 2004-05 as recommended by the Tendulkar Committee have been accepted by the Planning Commission. As per Tendulkar Committee Report, the national poverty line at 2004-05 prices is monthly per capital consumption expenditure of Rs. 446.68 in the rural areas and Rs. 578.80 in urban areas. These poverty lines vary from State to State because of price differentials. The Tendulkar Committee has mentioned in its report that the proposed poverty lines have been validated by checking the adequacy of actual private expenditure per capita near the poverty lines on food, education and health by comparing them with normative expenditures consistent with nutritional, educational and health outcomes. In order to have two-point comparison of

changes in head count ratio, the Expert Group has re-estimated poverty for 1993-94. The head count ratio for 1993-94 and 2004-05 as released earlier by the Planning Commission and on the basis of Tendulkar Methodology are given below:—

	Earlier released estimates based on lakdawala Methodology		Estimates based on Tendulkar Methodology	
	1993-94	2004-05	1993.94	2004-05
Rural	37.3	28.3	50.1	41.8
Urban	32.4	25.7	31.8	25.7
Total	36.0	27.5	45.3	37.2

8.2 Even though the Tendulkar Methodology gives higher estimate of headcount ratio for both the years 1993-94 and 2004-05, the extent of poverty reduction in comparable percentage point decline between 1993-94 and 2004-05, at the all-India level, is not different from that the earlier released estimates.

8.3 The Ministry of Planning in a written note stated that as per the Approach Paper to the Twelfth Five Year Plan, the economy is likely to achieve an average GDP growth of around 8.2 per cent over the Eleventh Plan Period and the percentage of population living below the poverty line has declined

by about 0.8 percentage points per annum between 1993-94 and 2004-05. The recently released estimates of poverty also indicate that the percentage of people below the poverty line has further declined from 37.2% in 2004-05 to 29.8% in 2009-10 with rural poverty declining by 8.0 percentage points from 41.8 per cent to 33.8 per cent and urban poverty declining by 4.8 per centage points from 25.7 per cent to 20.9 per cent.

8.4 On being asked as to how the Planning Commission had redefine the new poverty line when the Socio-Economic and Caste Census is still pending, the Ministry of Planning in a written reply stated as under:—

> "The estimation of poverty by the Planning Commission and identification of BPL families in rural and urban areas are two different exercises. The Planning Commission released estimates of poverty for 2009-10 based on the methodology recommended by Tendulkar Committee. The Socio Economic and Caste Census (SECC), 2011 is being carried out for the purpose of identification of poor."

8.5 In a written note submitted to the Committee, the Ministry of Planning has stated to eliminate poverty by 2020 or latest by end of Thirteenth Five Year Plan 2021- 22.

8.6 The Ministry further stated that the incidence of poverty declined from 55 per cent in 1973-74 to 27.5 per cent in 2004-05. The Eleventh Plan aims at reducing the poverty ratio by ten percentage points by the end of the Eleventh Plan. The Central vision of the Eleventh Plan is to trigger a development process, which ensures broad based improvement in the quality of life of the people, especially the poor, the Scheduled Castes and Scheduled Tribes, minorities, etc.

IX. UNIQUE IDENTIFICATION AUTHORITY OF INDIA (UIDAI)

9.1 This scheme is a Planning Commission initiative which envisages assigning a unique identification number to each resident in the country for better monitoring and targeting of Government's social welfare schemes and poverty alleviation initiatives. It also aims at eliminating the need for multiple identification me chanisms prevalent to across

various Government departments. Authority plans to issue 600 million UIDs over a period of five years. For this purpose, a budget provision of 1758.00 crore has been allocated for the Annual Plan 2012-2013. A major part of the budget provision for 715.00 crore is earmarked for 'Assistance to Registrars for Enrolling Residents'. 9.2 To a specific query that pending the legislative approval as to how the Government is still continuing with the implementation and funding of Aadhar, the Ministry of Planning in a written reply stated as follows:—

> "The Unique Identification Authority of India (UIDAI) has been mandated to issue unique identification numbers (Aadhaar) to all the residents of India. UIDAI does not issue cards. The number is a proof of identity and not citizenship. UIDAI was authorized to enroll, through multiple registrars upto 200 million residents by March 2012. The initial phase of enrolling 200 million residents has already been completed. The Cabinet Committee on UIDAI has given its approval for enrolment of an additional 400 million residents by UIDAI through Multiple Registrars in 18 States/UTs

as per Annexure-A. The residents are expected to be covered over the next 18 to 24 months. The remaining 600 million residents will be covered by Registrar General of India (RGI) under NationalPopulation Register (NPR) process.

The report of the Standing Committee on Finance on the National Identification Authority of India Bill, 2010 was presented by the Committee to the Lok Sabha on 13th December 2011 and laid in the Rajya Sabha on 13th December 2011. The Committee has, inter-alia, given its observations on giving number to every resident and not restricting the Unique Identification Scheme to citizens, reliability of technology, legislative safeguards for data protection and duplication of work with National Population Register exercise. The Committee has conveyed its unacceptability of the National Identification Authority of India Bill, 2010 in its present form and has urged the Government to reconsider and review the UID scheme as also the proposals contained in the Bill with all its ramifications and bring

forth a fresh legislation before Parliament. The recommendations are under consideration of the Government.

As regards the funds approved/proposed to be approved for the programme for 12th Plan Period, Planning Commission may address this issue. However, it may be mentioned that while Planning Commission decides the 12th Plan allocation, the outlay of INR 8,814.75 crore approved by CC-UIDAI for Phase III of the project (upto March 2017) and the proposal for EFC IV seeking an additional allocation of INR 5,061 crore due to the enhanced enrolment mandate may be kept in view."

X. ROLE OF PLANNING COMMISSION

10.1 The Committee in their 35th Report on Demands for Grants (2011-12) of the Ministry of Planning inter-alia commented that while planning is very much relevant in India, the Planning Commission has to come to grips with the emerging social realties to reinvent itself to make itself more relevant and effective for aligning the planning process with

economic reforms and its consequences, particularly for the poor. The Committee further commented that the Government should constitute an Expert-Group immediately for evaluating the performance of the Planning Commission and redefining its role and objectives so as to relate the planning process to the life of the common man and its role in the implementation of programme and scheme.

10.2 The Ministry of Planning in their action taken reply inter-alia stated that the Planning Commission since its inception, has taken due care to sincere discharge of its duties and has been successful in meeting its obligations by way of formulating eleven five year plans, in addition to other well documented achievements. Planning Commission during the course of its working has been evolving its strategies by way of continuous internal assessment of its working. It has always kept itself abreast with the latest developments and aligned its policies in such a manner so as to keep the interests of poor in mind. As regards the suggestion of the Committee to set up an Expert Group for evaluating performance

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of the Planning Commission, the matter has been brought to the notice of the Competent Authority.

10.3 While examining the Demands for Grants (2012-13) of the Ministry of Planning to a specific query on the concrete steps taken for evaluating the role and performance of the Planning Commission by an Expert-Group, the Ministry of Planning stated that the matter hadbeen brought to the notice of the Competent Authority for taking a decision in the matter.

Cont...

PART II

OBSERVATIONS/RECOMMENDATIONS

Analysis of Demands for Grants (2012-13)

1. The Committee note that in the plan provision of the Ministry of Planning for the year 2010-11, the actual expenditure was Rs. 310.88 crore as against the BE of Rs. 2000 crore which was later reduced to Rs. 1045 crore at RE stage. In the Year 2011-12 also the actual expenditure was Rs. 829.57 crore as against the BE of Rs. 1600 crore which was reduced to Rs. 1330 crore at RE stage. In their earlier report the Committee had expressed their displeasure on ubstantial and persistent underutilization of allocated funds. The Committee had pointed out the Ministry's failure in regard to appropriate projection of fund requirements in formulating budget estimates for programmes and schemes. The Committee are unhappy to note that the formulation of Budget for plan programmes/schemes of the Ministry of Planning has been reduced to an exercise of unrealistic estimates projection, underutilization of funds and failure of plan programmes/schemes to absorb the allocated funds. The recurrent and substantial

underutilisation of allocated funds shows that the efforts that have been made by the Ministry of Planning in this regard have been found to be ineffective. The Committee are surprised to note that only one meeting was held on 23.8.2011 to review the trend of expenditure during the first quarter of the year 2011-12 which reflect casual approach of the Ministry and desire that periodic/quarterly meetings should be held to review and constantly monitor the trend and progress of expenditure. The Committee reiterate that the Ministry of Planning should endeavour to be a role model for other Central Ministries/Departments in preparation of realistic budget estimates.

Achievement of the 11th Five Year Plan

2. The objective of the 11th Five Year Plan was to achieve faster and more inclusive growth at a targeted GDP growth rate of 9 percent per annum. However, the Committee find that except during 2007-08, in none of the remaining four years the target was achieved. Sector such as Agriculture, Forestry, Fishing, Mining and Quarrying have recorded dismal growth rates. The reasons

attributed for slow growth rate by the Ministry of Planning were severe global economic crisis, weak monsoon in 2009 and double-digit inflation, etc. The Committee are of the opinion that since there was a delay in the Mid-Term Appraisal of the 11th Plan Period, the Government could not take remedial measures in time to address the above factors to attain the targeted growth during the 11th Plan Period. The Committee hope the Government would be more serious and proactive to achieve the targeted growth rate during the 12th Plan Period and complete the Mid-Term Appraisal well in time before the second-half of the Plan period commences, so that meaningful corrective measures can be taken at the right time. The Committee, further, desire that a comprehensive assessment of outcomes of inclusive growth achieved during the 11th Plan Period be conducted at the earliest. The Committee be apprised of the action taken in this direction.

12th Five Year Plan

3. The Committee note that the 12th Five Year Plan has been launched with the Budget proposal for 2012-13 to address five critical issues to put the

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economy back on a high growth trajectory of 9 per cent. However, the 12th Five Year Plan is yet to be approved by the National Development Council (NDC) and the shape of the 12th Plan Period would be visible by June or July 2012, as admitted by the Member Secretary before the Committee. The Committee cannot but deprecate the lackadaisical manner of functioning of the Planning Commission in completing the procedural formalities of approval of the 12th Five Year Plan timely. Since the first financial year of the 12th Five Year Plan has already started, the Committee desire that the 12th Five Year Plan is finalized at the earliest so that there could be a synchronization of Budget proposal for the year 2012-13 with funds allocated for 12th Plan Period for core sectors/areas as identified. The Committee, further, desire that sectoral constraints noticed in the 11th Plan Period should be addressed for creating conducive policy environment for each sector of the economy so as to achieve the targeted growth during the 12th Plan.

Agriculture Sector

4. The Committee note that an important sectoral target of the 11th Plan was to raise the rate of

growth in agriculture to 4 per cent from 2.5 per cent in the 10th Plan. As per advanced estimates, the rate of growth of GDP in agriculture during the 11th Plan Period is only 3.3 per cent, even though the Government has put in place various schemes and programmes to boost the agriculture sector. Moreover, the Gross Capital Formation (GCF) in agriculture and allied Sector in 2009-10 was Rs. 1,33,377 crore, of which the contribution of Public Sector was Rs. 23637 crore and of Private Sector as Rs. 109740 crore. This clearly shows that funds infusion by the Government in agriculture and allied sector was rather low. The Committee deplore this tokenism on the part of the Government, as about half of the rural population is still dependent on agriculture for their livelihood. The objective of inclusive growth cannot be realized without revitalizing agriculture sector and for which adequate investment is required to spur agriculture growth.

5. As commented upon by the Committee in their earlier reports, the Committee expect the Planning Commission to address the issues affecting agriculture and allied sectors with due seriousness

on priority basis and formulate appropriate sectoral policies for the revival of agriculture sector.

Backward Regions Grant Fund (BRGF)

6. The Committee note that BRGF seeks to bring about focused development of identified backward districts by implementing programmes, selected through people's participation. It aims to help convergence and add value to other programmes such as Bharat Nirman and Mahatma Gandhi National Rural Employment Guarantee Programme etc., which are explicitly designed to meet rural infrastructure needs. The Committee feel that these programmes could not address the causes of backwardness in backward regions as intended. There is still wide variation in the economic performance across the States. The main reason for variation in the growth rate are unequal availability of basic infrastructure. The Committee, in agreement with the suggestion of the steering Committee for Rural Livelihoods and Rural Governance, desire that the Government should be sensitive to needs and aspirations of regions that feel a genuine grievance about being left out of the national mainstream and development process. The Committee further desire

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that there is a need for targeted intervention whereby backward regions are provided with more funds as well as technical support for meeting development expenditure viz. investment in rural infrastructure, primary education and health.

7. The Committee reiterate their earlier recommendation that expenditure data on rural infrastructure should be maintained and monitored in centralized manner to enable analysis of the progress made in this regard and desire convergence of BRGF, MGNREGA and Bharat Nirman followed by a well defined holistic district Plan for development of backward region including the specific programme for areas affected by naxalite extremism.

The Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)

8. The Committee note that since its inception MGNREGS has been infested with numerous infirmities. During the last 5 years of implementation of MGNREGS, the expenditure have been reported to the tune of Rs. 8823.35 crores in 2006-07, Rs. 15856.89 crore in 2007-08, Rs.

27250.10 crore in 2008-09, Rs. 37905 in 2009-10 and Rs. 39377.26 crore in 2010-11 respectively on the scheme. However, the Committee are concerned that the aim of the scheme which was to enhance the livelihood security of the people in rural areas and to create durable assets is far from being fulfilled, inspite of substantial expenditure incurred so far. It is a matter of dismay that the Scheme could not make much impact on the rural economy due to reasons such as lack of awareness amongst rural people, delay in wage payments, poor coverage of Banks and Post Offices, non-maintenance of records like job cards, dated receipts, muster rolls, slow grievance redressal, low creation of durable assets, poor conduct and quality of social audits etc. Since the 12th Plan Period has already been launched with the Budget Proposal of 2012-13, the Committee desire that the Government should make sincere efforts to strengthen the synergy between MGNREGS and agriculture and allied sectors to boost the rural economy. The Committee further desire that the infirmities noticed in the implementation of the Scheme since its inception should be addressed comprehensively and the

evaluation study to be conducted by different research institutes in pursuance of the Committee's recommendation should be completed in a time bound manner.

Restructuring of Centrally Sponsored Scheme

9. The Committee in their earlier reports had recommended that the plethora of schemes and programmes operating now should be streamlined and rationalized to manageable proportions. The Committee note that this has been accepted by the Government in principle as mentioned by the Finance Minister in his Budget Speech 2012-13 to streamline and reduce the number of Centrally Sponsored Schemes. The Committee are of the view that the current year, being the first year of the 12th Plan, it is the ripe time to restructure and rationalize the number of Centrally Sponsored Schemes to enhance their efficiency and scale.

Estimation of Poverty

10. The Committee note that the Planning Commission is the nodal agency for estimating the number and proportion of people living below the poverty line at national and States level, separately for rural and urban areas. The methodology for estimation of

poverty has been reviewed from time to time. The Committee note that the Planning Commission has declared the year 2020 or latest by end of 13th Five Year Plan (2021-22) as the target year for elimination of poverty based on the methodology/estimates of Lakdawala Committee. The Committee are surprised that even though the Planning Commission has accepted the recomputed poverty estimates for the year 1993-94 and 2004-05 as recommended by the Tendulkar Committee, which has given a higher estimate of poverty, they have fixed the target based on Lakdawala Committee's report. The Committee had in their earlier reports inter-alia emphasized on the need for overcoming the shortcomings in the estimation of BPL population and more particularly the divergence in the estimates of BPL population/poverty levels brought out by the Planning Commission. The Committee are at a loss to understand as to how the target for elimination of poverty will be achieved on the recomputed higher estimates. The Committee desire that more rigorous efforts should be made so that the target can be achieved by 2020.

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Unique Identification Authority of India (UIDAI)

11. The Committee are unable to understand as to how the Government is still continuing with the implementation of Aadhar without the legislative approval and have allocated Rs. 1758 crore for the Scheme for the year 2012-13. The Committee in their 42nd Report on the 'National Identification Authority of India Bill, 2010' has inter-alia given their observations on number of issues and has conveyed their unacceptability of the National Identification of Authority of India Bill, 2010 in its present form and has urged the Government to reconsider and review the UID Scheme and also the proposals contained in the Bill with all its ramifications and bring forth a fresh legislation before Parliament. The Committee, therefore, urge the Government to urgently address the issues identified/pointed out by the Committee in their report.

Role of Planning Commission

12. The Committee observe with dissatisfaction the evasive reply of the Ministry regarding evaluating performance of the Planning Commission by an Expert Group. The Committee can only observe that

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the Ministry of Planning/Planning Commission do not seem to be serious in its approach to evaluate the performance of Planning Commission and redefine its role and objective so as to make itself more relevant and effective for aligning the planning process with economic reforms and its impact, particularly for the poor. The Committee reiterate their earlier recommendation that the Government should constitute an Expert-Group for evaluating the performance of the Planning Commission and redefining its role and objectives at the earliest and action taken in this direction be apprised to the Committee.

NEW DELHI;
20 April, 2012
31 Chaitra, 1934 (Saka)

YASHWANT SINHA,
Chairman,
Standing Committee
on Finance.

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APPENDIX

MINUTES OF THE SIXTEENTH SITTING OF THE STANDING COMMITTEE ON FINANCE (2011-12)

The Committee sat on Wednesday, the 28th March, 2012 from 1500 hrs to 1915 hrs.

PRESENT

Shri Yashwant Sinha — Chairman

MEMBERS

Lok Sabha

2. Shri Shivkumar Udasi
3. Shri Harishchandra Deoram Chavan
4. Shri Bhakta Charan Das
5. Shri Nishikant Dubey
6. Shri Bhartruhari Mahtab
7. Shri Prem Das Rai
8. Dr. Kavuru Sambasiva Rao
9. Shri Rayapati S. Rao
10. Shri Magunta Sreenivasulu Reddy
11. Shri R. Thamaraiselvan
12. Dr. M. Thambidurai

Rajya Sabha

13. Shri Piyush Goyal
14. Shri Mahendra Mohan
15. Dr. Mahendra Prasad

SECRETARIAT

1. Shri A.K. Singh — Joint Secretary
2. Shri R.K. Jain — Director
3. Shri Ramkumar Suryanarayanan — Deputy **Secretary**
4. Smt. Meenakshi Sharma — Deputy Secretary
5. Shri Kulmohan Singh Arora — Under Secretary

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PART I

(1500 hrs. to 1700 hrs.)

WITNESSES

2.	XX	XX	XX	XX
	XX	XX	XX	XX

The witnesses then withdrew.

Part II

(1700 hrs. to 1745 hrs.)

WITNESSES

3.	XX	XX	XX	XX
	XX	XX	XX	XX

The witnesses then withdrew.

PART III

(1745 hrs. to 1915 hrs.)

WITNESSES

MINISTRY OF PLANNING

1. Ms. Sudha Pillai, Member Secretary
2. Shri Pronab Sen, Pr. Adviser
3. Dr. S.P. Seth, Pr. Adviser
4. Shri Ashok Sahu, Pr. Adviser
5. Shri P.K. Pujari, Addl. Secretary & Fin. Adviser
6. Shri Ranjan Chatterjee, Sr. Consultant
7. Shri Haldea, Adviser to DCH

8. Ms. Vandana Kumari Jena, Sr. Adviser
9. Dr. Arbind Prasad, Sr. Adviser
10. Shri Prem Narain, Sr. Adviser
11. Shri Muralikrishna Kumar, Sr. Adviser
12. Shri G.B. Panda, Sr. Adviser
13. Smt. Vinita Kumar, Sr. Adviser
14. Shri S.N. Mohanty, Sr. Adviser
15. Shri Arbind Modi, Consultant
16. Shri Ram Sewak Sharma, Director General (UIDAI)
17. Shri T.K. Pandey, Joint Secretary

2. The Committee then took oral evidence of the representatives of the Ministry of Planning in connection with examination of Demands for Grants (2012-13). The major issues discussed during the sitting broadly related to methodology of poverty estimation, concept of Model Village Plan, agriculture growth, budgetary allocations to agricultural sector, power sector, tourism sector, Master Plan on drinking water, Right to Education, restructuring of Central Sector/Centrally Sponsored Schemes, approach to 12th Five Year Plan, New Initiative in Skill Development through PPP, AADHAR Number, Inter-linking of Rivers project, Independent Evaluation of Programmes/schemes of

the Planning Commission and the role of the Planning Commission etc. The Chairman directed the representatives of Ministry of Planning to furnish replies to the points raised by the Members during the discussion within a week.

A verbatim record of proceedings was kept.

The witnesses then withdrew.

The Committee then adjourned at 1915 hours.

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MINUTES OF THE EIGHTEENTH SITTING OF THE STANDING COMMITTEE ON FINANCE (2011-12)

The Committee sat on Friday, the 20th April, 2012 from 1130 hrs. to 1400 hrs.

PRESENT

Shri Yashwant Sinha — Chairman

MEMBERS

Lok Sabha

2. Shri Gurudas Dasgupta
3. Shri Nishikant Dubey
4. Shri Chandrakant Khaire
5. Dr. Kavuru Sambasiva Rao
6. Shri Rayapati S. Rao
7. Shri Sarvey Sathyanarayana
8. Shri Yashvir Singh
9. Dr. M. Thambidurai

Rajya Sabha

10. Shri Satish Chandra Misra
11. Dr. K.V.P. Ramachandra Rao

SECRETARIAT

1. Shri A.K. Singh — Joint Secretary
2. Shri Ramkumar Suryanarayanan — Deputy Secretary
3. Smt. Meenakshi Sharma — Deputy Secretary

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4. Shri Kulmohan Singh Arora — Under Secretary

PART I

(1130 hrs. to 1300 hrs.)

WITNESSES

2. XX XX XX XX

XX XX XX XX

A verbatim record of proceedings was kept.

The witnesses then withdrew.

PART II

(1300 hrs. to 1400 hrs.)

3. The Committee took up following draft Reports for consideration and adoption:—

(i) Draft Report on Demands for Grants (2012-13) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Disinvestment);

(ii) Draft Report on Demands for Grants (2012-13) of the Ministry of Finance (Department of Revenue);

(iii) Draft Report on Demands for Grants (2012-13) of the Ministry of Planning

(iv) Draft Report on Demands for Grants (2012-13) of the Ministry of Statistics and Programme

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Implementation; and (v) Draft Report on Demands for Grants (2012-13) of the Ministry of Corporate Affairs.

4. The Committee adopted the draft Reports at Sl. Nos. (iv) and (v) without any modification and those at Sl. Nos. (i), (ii) and (iii) with minor modifications. The Committee authorised the Chairman to finalise the Reports in the light of the modifications suggested and present these Reports to Parliament.

The Committee, then adjourned.

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